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CAI IST -M57

Highlights

- Exports rose 1.2% in October to \$30.7 billion, while imports increased for the ninth month in a row (0.7%). The result was an increase in the merchandise trade balance by \$0.2 billion to \$2.7 billion.
- Both exports and imports to the U.S. were up 0.7%. The merchandise trade surplus with the U.S. expanded to \$5.1 billion.
- The U.S. was the destination for 86.2% of our merchandise exports and the source of 76.3% of our imports in October.
- Commodity prices fell 2.3% in October, but are up 14.9% from October of last year.
- In line with commodity prices, the Canadian dollar dipped 1/10 ¢ over October but, nonetheless, is up substantially over October of 1998.

Key Monthly Trade Indicators (October 1999)

		% chan	ge over
	\$ millions	previous month	previous year
Exports	30,698	1.2	7.9
- U.S. exports	26,474	1.6	10.3
Imports	28,028	0.7	4.8
- U.S. imports	21,383	0.7	2.9
Trade Balance*	2,670	2,497	1,705
- U.S. balance*	5,091	4,825	3,226
Commodity Prices**	99.3	-2.3	14.9
Canadian Dollar (US¢)*	68.0	68.1	64.8
Export Prices**	117.1	0.8	0.4
Import Prices**	109.8	-1.7	-6.6

^{*} Data in levels only

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report:

The Impact of the Asian Crisis on Canadian Exports



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

Canadä

^{**} Index (1992=100)



Number I

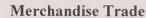
December 1999

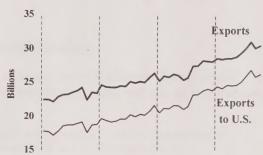
Exports resume their upward trend in October

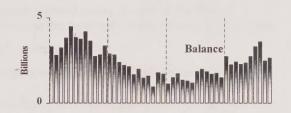
- Total exports were up, driven entirely by increased exports to the U.S.
- The merchandise trade surplus widened as the increase in exports outpaced that of imports.

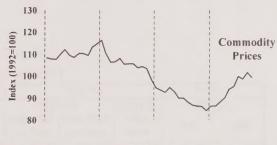
Both commodity prices and the exchange rate weaken

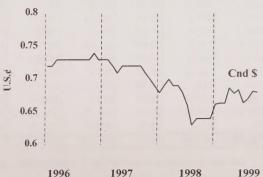
- Commodity prices slipped, falling 2.3% over the month, yet they remain 14.9% higher than in October 1998. Prices remain well below levels pre-existing the turmoil caused by the Asian Financial crisis.
- The Canadian dollar corrected its recent run up, dipping 0.1¢ in October. However, in line with commodity prices, the exchange rate is up U.S. 3.2¢ over the past year.



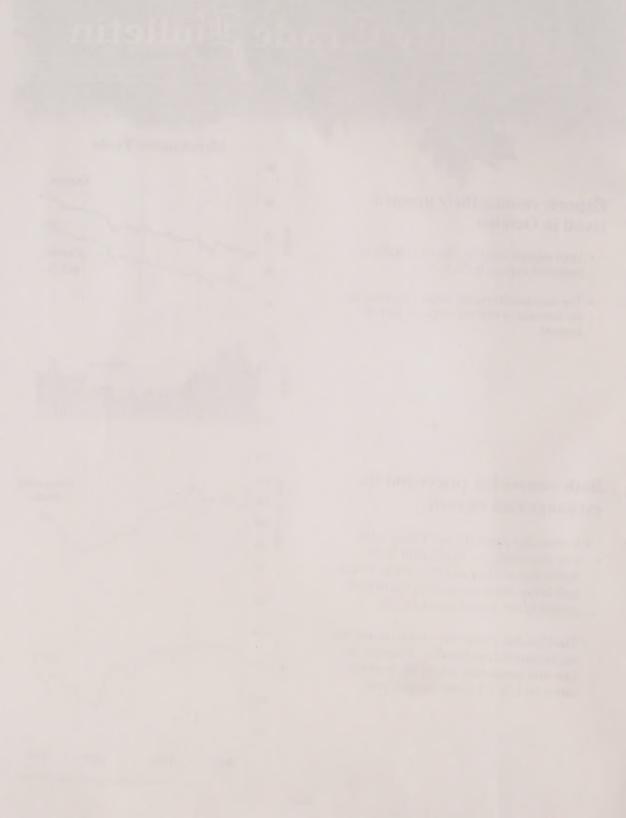








Source: Statistics Canada, Bank of Canada



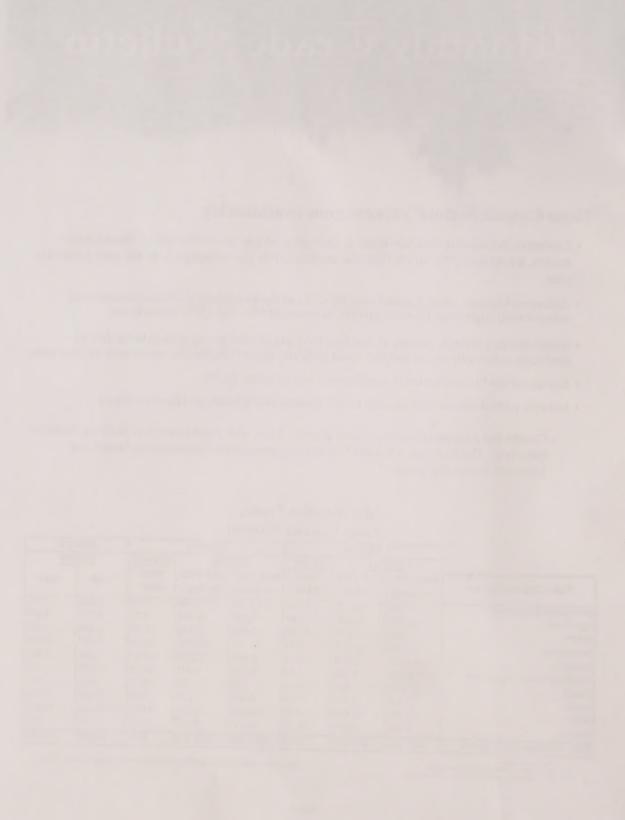
Team Canada Sectors' exports grew considerably

- Exports of Automotive and Aerospace & Defence products, two of the largest Team Canada sectors, are up over 30% for the first nine months of this year compared with the same period last year.
- Advanced Manufacturing Technologies (AMT) and Environmental Products demonstrated exceptionally high rates of export growth, in excess of 96% and 117% respectively.
- Somewhat surprisingly, exports of Building Products showed strong growth in the face of declining commodity prices and continued difficulty in the Asia-Pacific region over the past year.
- Exports of the Plastics sector also performed well, growing 26.3%.
- Industry trade balances (imbalances) reflect comparative advantages (disadvantages).
 - ► Canada has a strong comparative advantage in Agri-Food, Automotive and Building Products, but a large disadvantage in Information and Communication Technologies, Health and Electrical Power Equipment.

Merchandise Trade, (Team Canada Sectors)

		Exports			Imports		Balar	nce
	Milli	ons	Growth	Milli	ons	Growth	Millio	ns
Team Canada Sectors	1998 YTD* Jan-Sept.	1999 YTD* Jan-Sept.	1998- 1999	1998 YTD* Jan-Sept.	1999 YTD* Jan-Sept.	1998- 1999	1998	1999
Aerospace & Defence	7,959	10,511	32.06	10,438	11,584	10.97	-2,480	-1,073
Agri-Food	16,761	15,681	-6.44	11,990	12,081	0.75	4,770	3,600
AMT**	1,332	2,612	96.06	2,687	3,148	17.16	-1,355	-536
Automotive	50,287	68,949	37.11	54,154	62,264	14.98	-3,867	6,685
Building	10,893	13,476	23.71	9,846	10,886	10.57	1,047	2,589
Electrical Power Equipment	4,134	4,228	2.28	6,516	7,821	20.03	-2,382	-3,593
Enviro	294	638	117.24	920	1,105	20.12	-626	-467
Health	2,416	2,731	13.04	4,452	5,074	13.96	-2,036	-2,343
ICT***	18,150	19,814	9.17	33,350	37,126	11.32	-15,200	-17,312
Plastics	4,808	6,074	26.32	5,151	5,687	10.41	-342	387
Total Merchandise Exports	237,199	265,589	11.97	223,303	241,322	8.07	13,896	24,267

YTD - Year-to-date AMT - Advanced Manufacturing Technologies ICT - Information and Communication Technologies



Monthly Trade Bulletin

December 1999

The Lapact of the Asian Crisis on Canadian Exports

The financial crisis significantly affected exports to Asia-Pacific...

- Exports from Canada to Asia-Pacific have declined every quarter since the beginning of the financial crisis in the Asia-Pacific region.
- The crisis peaked in 1998, with Canadian exports to the region declining on average more than 20%, but the situation has begun to improve in 1999.

...as exports to all Asia-Pacific countries declined

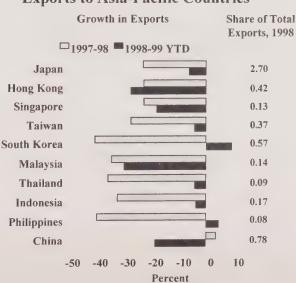
- Canada's exports to all of the major countries of the Asia-Pacific region, with the exception of China, fell by over 20% from 1997 to 1998.
 - ➤ Exports to Japan, which absorbs almost one half of our merchandise exports to Asia-Pacific, fell by 23% in 1998.
- Exports to many Asia-Pacific countries continued to fall through 1999, but in most cases by smaller amounts than in 1998.

Total Exports to Asia-Pacific



Source: Industry Canada compilations based on Statistics Canada data

Exports to Asia-Pacific Countries





Monthly Trade Mulletin

The Impact of the Asian Crisis on Canadian Exports

But, the Asia-Pacific region accounts for a small share of Canadian exports

- At the onset of the financial crisis, the Asia-Pacific region accounted for less than 10% of Canada's total exports
 - ➤ The share has dwindled to less than 5% since that time.

Geographic Distribution of Canadian Merchandise Exports

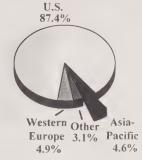
First Quarter 1997

5.4%

U.S. 81.6%

AsiaWestern Other Pacific
Europe 4.4% 8.7%

Third Quarter 1999

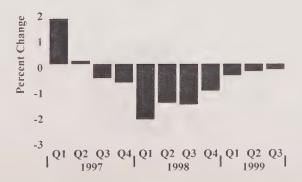


Source: Industry Canada compilations based on Statistics Canada data

As a result, total exports were relatively unaffected

- Although Canadian exports to Asia-Pacific declined considerably, Canada's over-all export performance was not significantly affected.
- For example, even at the peak of the crisis (1998 Q1), total exports decreased by only 2.1%.

Impact of Asian Crisis on Total Canadian Exports





Hoothly Trade Mulletin

December 1999

The Impact of the Asian Crisis on Canadian Exports

Our Resource & Resource-Based exports felt the brunt of the Asian financial crisis...

- 1998 witnessed the greatest impact of the Asian financial crisis on Canadian exports.
- During that year, Resource & Resource-Based commodity exports to Asia-Pacific fell by \$3.1 billion, resulting in a 2.7% drop in total exports of these goods.
- In relative terms, this is almost three times as much as the 1% decline in total Finished Goods exports attributable to the Asian Pacific crisis.
 - ➤ In dollar terms, exports of Finished Goods to Asia-Pacific fell by \$1.8 billion in 1998.

...as exports of these goods account for most of our exports to Asia-Pacific

• In 1998, almost three quarters of Canada's exports to Asia-Pacific were Resource & Resource-Based goods. Asia-Pacific accounts for 10% of our total exports of these goods.

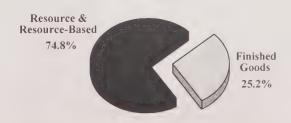
Impact of the Asian Crisis on Total Exports by Commodity Type



* Sept. 1998 to Sept. 1999

Source: Industry Canada compilations based on Statistics Canada data

Exports to Asia-Pacific by Commodity Type (1998)





Hoothly Trade Mulletin

The Impact of the Asian Crisis on Canadian Exports

Exports of all provinces were affected by the Asian financial crisis...

- In 1998, exports to Asia-Pacific from all provinces declined.
- Purely in terms of rates of decline, Ontario and Quebec were affected the most with drops in 1998 of 41.2% and 29.3% respectively.

Percent of Exports going to Asia-Pacific, 1996

B.C. Prairies Ontario Quebec Atlantic
35.8% 14.5% 3.9% 4.7% 8.8%

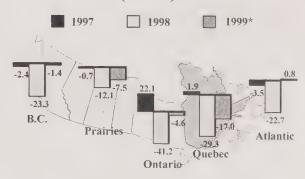
• But, only a small percentage (less than 5%) of exports from these two provinces go to Asia-Pacific, compared to 36% for B.C.

...but to different degrees

- Overall, B.C. is the province that suffered the most, with the Asian crisis subtracting 6.8% from its growth in total exports in 1998.
- However, the effect of the crisis on exports of Ontario and Quebec, was barely noticeable.

Growth in Merchandise Exports to Asia-Pacific by Region (Percent)

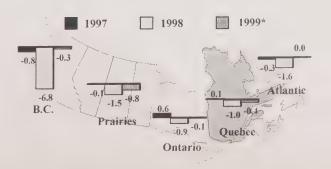
1999



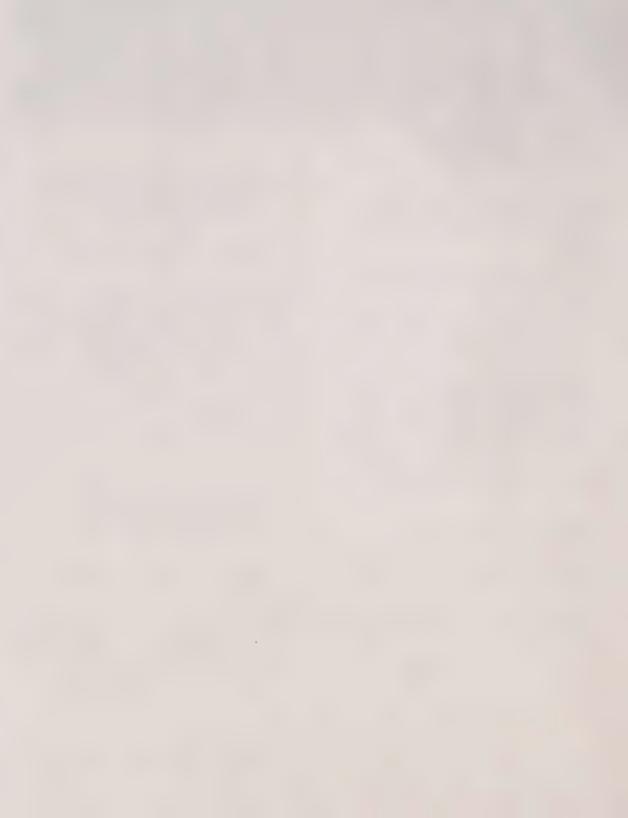
* Sept 1998 to Sept 1999.

Source: Industry Canada compilations based on Statistics Canada data

Impact of the Asian Crisis to Total Exports by Region (Percent)



* Sept 1998 to Sept 1999.



Highlights

- Exports increased in November, up 1.4% over the previous month. For the first time in 1999, exports to the rest of the world increased at a faster pace than exports to the U.S., which were up 1.2% over the month.
- Imports fell slightly in November, decreasing 0.2%. Imports from all other countries increased while imports from the U.S. fell 1.3%.
- © Canada's trade balance improved by \$500 million over the previous month reaching \$3.1 billion in November.
- Commodity prices rose significantly in November, up 5.9% from October. Despite this, the Canadian dollar fell, losing two-tenths of a cent.
- Meanwhile, export prices increased by 0.4%, and import prices fell by 0.8%.

Key Monthly Trade Indicators (November 1999)

		% chan	ge over
	\$ millions	previous month	previous year
Exports	31,351	1.4	10.5
- U.S. exports	28,224	1.2	10.8
Imports	26,881	-0.2	6.1
- U.S. imports	21,083	-1.3	2.4
Trade Balance*	3,128	2,621	1,770
- U.S. balance*	5,797	5,194	3,667
Commodity Prices**	105.4	5.9	22.4
Canadian Dollar (US¢)*	67.8	68.0	65.2
Export Prices**	117.6	0.4	1.2
Import Prices**	109.6	-0.8	-6.1

- * Data in levels only.
- ** Index (1992=100)

Source: Industry Canada compilations based on Statistics Canada data.



This Month's Feature Report: China Export Opportunities for Canada





Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

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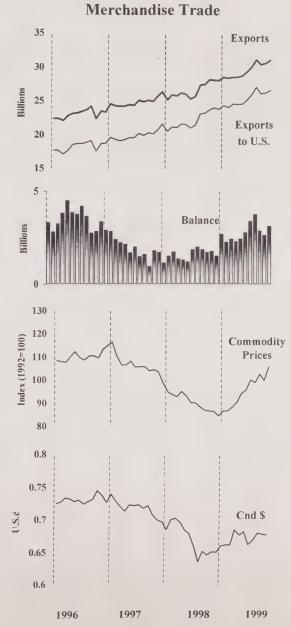


Exports continue to improve

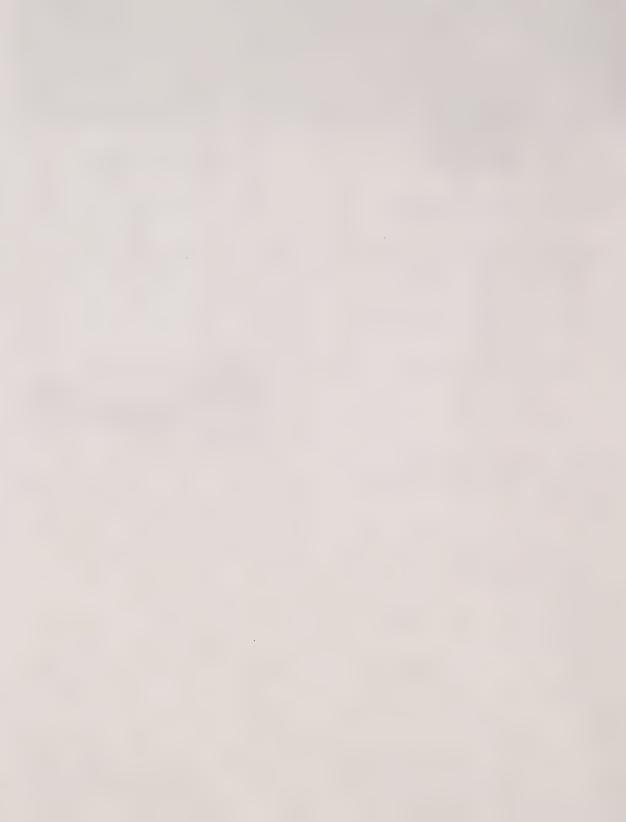
- Merchandise exports to all destinations improved for the second month in a row, after dipping slightly in September.
- Unlike previous months, exports to destinations other than the U.S. led export growth in November.
- Imports fell slightly in November resulting in an increase in the trade balance.

Commodity prices and the exchange rate move in opposite directions

- Commodity prices rebounded strongly in November, gaining 0.4% over the previous month and are up 25.0% from the low reached in December of 1998.
- The dollar, on the other hand, slipped somewhat, losing 0.2%.



Source: Statistics Canada, Bank of Canada



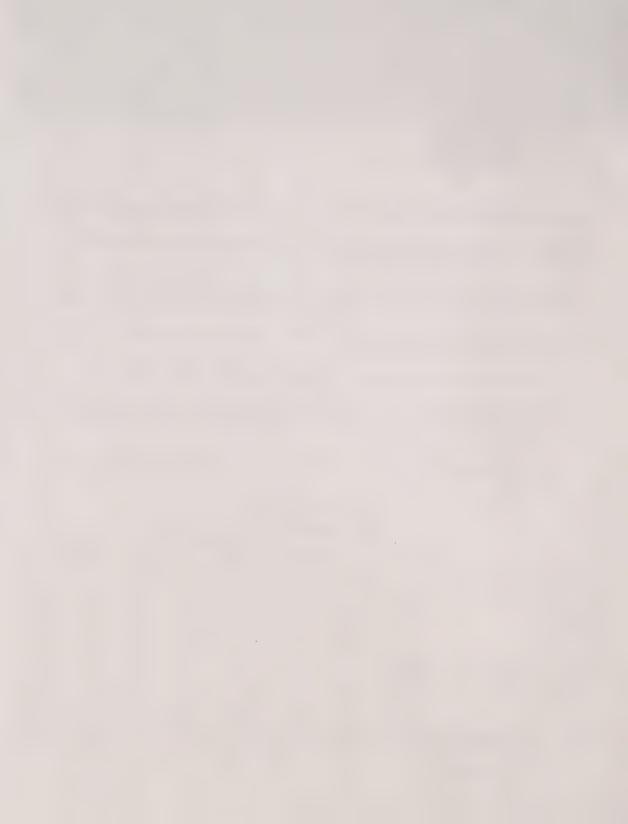
Import growth outpaces export growth for many Team Canada Sectors

- Import growth outpaced export growth in 7 out of the 10 Team Canada Sectors for the first 10 months of 1999 over the same period in 1998.
- Environmental Products had both the strongest export and import growth and is one of the few Team Canada sectors where exports outpaced imports, 29.6% for exports vs. 19.6% for imports.
- Automotive and Building Products are the other two sectors showing vigorous growth in exports with rates of 20.7% and 12.7% respectively.
- The industrial pattern of trade deficits has deepened during the period under review.
 - ▶ Information and Communications Technologies (ICT) posted the strongest merchandise trade deficit at \$19.7 billion for the first 10 months of 1999, a \$3.0 billion increase over the same period in 1998.
 - ▶ On the other hand, the Automotive sector registered a \$5 billion surplus, an increase of \$4.5 billion.

Merchandise Trade, (Team Canada Sectors)

	Exports			Imports			Balance	
	Milli	ons	Growth	Milli	ons	Growth	Millio	ns
Team Canada Sectors	1998 YTD* Jan-Oct.	1999 YTD* Jan-Oct.	1998- 1999	1998 YTD* Jan-Oct.	1999 YTD* Jan-Oct.	1998- 1999	1998	1999
Aerospace & Defence	11,097	11,741	5.8	11,720	13,269	13.2	-624	-1,528
Agri-Food	18,888	17,871	-5.4	13,458	13,579	0.9	5,430	4,293
AMT**	2,813	2,883	2.5	3,352	3,505	4.6	-539	-622
Automotive	61,874	74,661	20.7	61,380	69,605	13.4	494	5,056
Building Products	13,418	15,128	12.7	11,124	12,150	9.2	2,294	2,978
Electrical Power Equipment	4,509	4,782	6.1	7,404	8,783	18.6	-2,895	-4,001
Environmental Products	556	720	29.6	1,030	1,232	19.6	-474	-512
Health Products	2,739	3,056	11.6	5,005	5,658	13.0	-2,266	-2,602
ICT***	21,125	22,311	5.6	37,839	42,015	11.0	-16,714	-19,704
Plastics	6,319	6,802	7.6		6,329	9.4	535	473
Total Merchandise Exports	262,811	291,744	11.0	247,375	263,910	6.7	15,436	27,834

YTD - Year-to-date
AMT - Advanced Manufacturing Technologies
ICT - Information and Communication Technologies



China offers great export opportunities

- With a GDP of \$918 billion, China is the seventh largest economy in the World. And with an average annual rate of growth of 13.3% since 1990, it is growing about 2½ times faster than the world average of 5.8%.
 - ➤ Measured in terms of purchasing power parity (PPP), by 2010, China's will have the second largest GDP, after the U.S.
 - ➤ China has nearly one quarter of the world's population. By 2010 it is expected to have in excess of 500 million middle class consumers, the largest consumer market in the world.
- China has nearly quadrupled its share of world merchandise exports since 1980, jumping from 0.9% share in 1980 to 3.4% in 1998, and will need to import intermediate goods if it is to continue its export expansion.
 - ➤ China's import growth, although not as fast as export growth, increased faster than the world average. As a result, China's share of world merchandise imports has increased from 2.1% in 1980 to 2.50% in 1998.

China — Key Statistics

	arey statistics
Population (1998):	1243.7 million
GDP (1997, \$US):	\$917.7 billion
Exports (1998, \$US):	\$183.6 billion
Imports (1998, \$US):	\$140.3 billion
GDP Growth (1990-97): 13.3%
Export Growth (1990-9	98): 14.5%
Import Growth (1990-	98): 12.8%

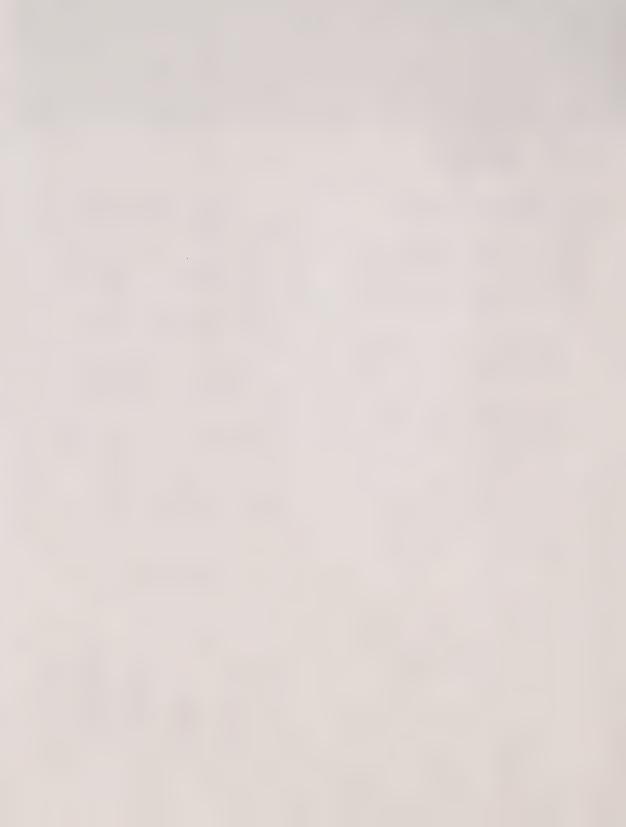
Hong Kong — Key Statistics

Population (1998):	6.7 million
GDP (1998, \$US):	\$166.4 billion
Exports (1998, \$US):	\$208.2 billion
Imports (1998, \$US):	\$207.6 billion
GDP Growth (1990-98):	10.5%
Export Growth (1990-98):	9.5%
Import Growth (1990-98):	10.4%

Chinese Share of World Merchandise Trade



Source: Industry Canada compilations based on data from WTO



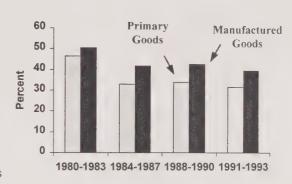
But, Chinese tariff barriers remain high

- Chinese tariff rates have been declining. But, at a mean rate of 31.7% on Primary Goods and 39.7% on Manufactured Goods, there is still significant room for improvement.
 - ➤ This compares to a mean tariff rate in Canada of 6.7% in 1993.
- The recently signed bilateral trade agreement between Canada and China takes some steps toward lowering trade barriers, particularly for select agricultural and high technology products as well as some services. This agreement will enhance trade opportunities between the two countries.

Canada is a small player in the Chinese market

- At \$10.1 billion, China is our fourth largest trading partner, accounting for 1.6% of our total trade (exports plus imports).
 - ▶ If Hong Kong is included as part of China, China would be our third largest trading partner at \$12.8 billion, or 2.1% of our total trade.
- In 1998, 3 countries accounted for nearly 60% of China's exports; Hong Kong, United States and Japan. Canada was ranked 13th, purchasing 1.2% of Chinese exports.
- Chinese imports were slightly more diversified with 4 countries making up nearly 55% of Chinese imports. Canada ranked 16th.

Chinese Mean Tariff Rates

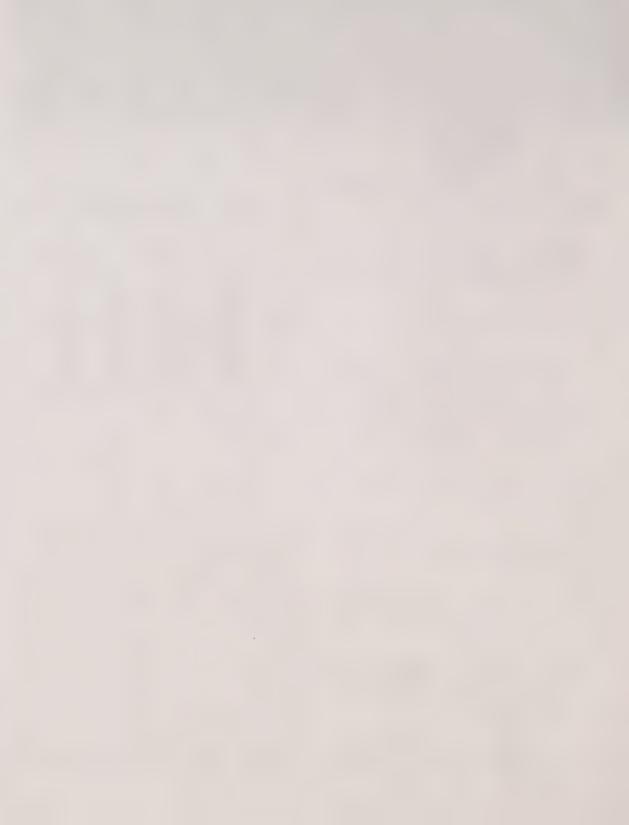


Source: APEC

China's Top Trading Partners, 1998

	Exports to:	Share		Imports from:	Share
		(percent)			(percent)
1	Hong Kong	21.1	1	Japan	20.2
2	United States	20.7	2	United States	12.1
3	Japan	16.2	3	Taiwan	11.9
4	Germany	4.0	4	South Korea	10.7
(3)	South Korea	3.4	(3)	Germany	5.0
	Canada	1.2	•	Canada	1.6

Source: Chinese Ministry of Foreign Trade and Economic Cooperation



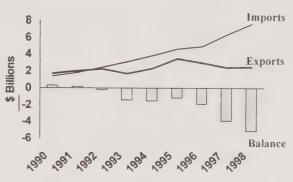
Our export performance has been poor...

- Growth in Canadian exports to China has been very slow, increasing at an average annual rate of only 4.9% between 1990 and 1998.
 - Total Canadian exports increased at an average annual rate of 10.0%.
 - Chinese imports from all sources have been growing by 12.8% annually.
- Meanwhile, imports from China have grown 23.7% annually over the same period resulting in a large and quickly increasing trade deficit with China.

...especially in traditional sectors

- Team Canada Sectors account for almost 65% of Canadian exports to China.
 Agri-food exports alone make up more than half of these exports, but this sector has shown virtually no growth over the decade.
- The next two largest sectors, namely Aerospace and ICT, have demonstrated much stronger growth. Together they represent another one-quarter of Team Canada sector exports to China.
- Four commodities electrical machinery, toys and sports equipment, machinery and footwear make up 45% of our imports from China.

Merchandise Trade with China



Source: Industry Canada compilations based on Statistics Canada data.

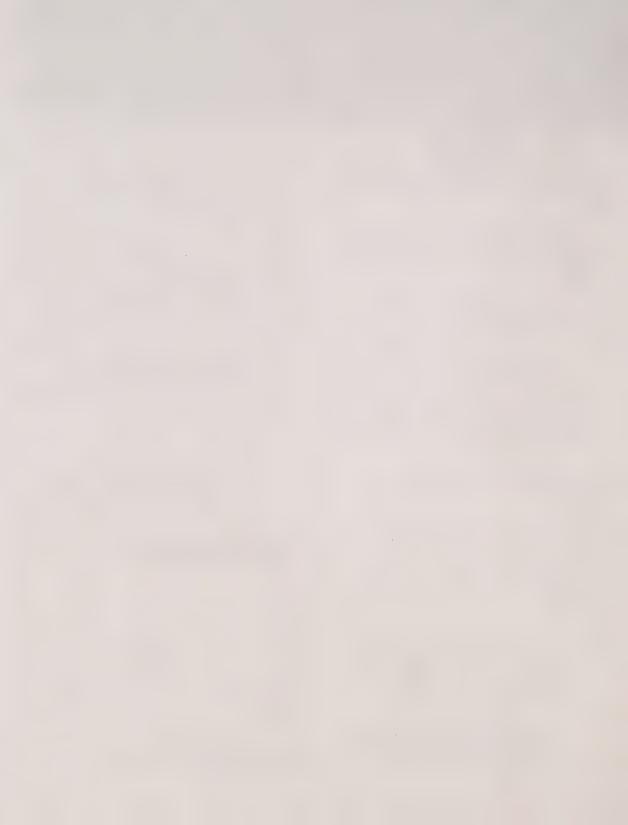
Team Canada Sectors Merchandise Exports to China

	Merchandis	e Exports	to Chim	a
	Millions	\$	Growth* 1990-98	Share** 1998
Aerospace	223.7		32.7%	13.9%
Agri-Food		879.	4 0.6%	54.5%
AMT	16.9		17.1%	1.0%
Automotive	60.4		1.9%	3.7%
Building	113.9		8.1%	7.1%
EPE	43.5	1000 1000	1.7%	2.7%
Enviro	6.7	1990 1998	22.0%	0.4%
Health	8.6		-19.3%	0.5%
ICT	200.7		7.8%	12.4%
Plastics	60.9		10.9%	3.8%

^{*}Average annual growth rate

^{**}Share of Team Canada Sector exports to China

Source: Industry Canada compilations based on Statistics Canada data.

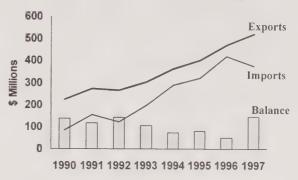




But, Canadian service exports to China have doubled since 1990

- Trade in services account for a significant portion of Canada's trade with China. In 1997, services accounted for nearly 20% of our total exports to China.
- Services export growth has greatly outpaced that of merchandise exports, growing at and average annual rate of 12.9% between 1990 and 1997, vs. only 4.9% for merchandise exports.

Services Trade with China

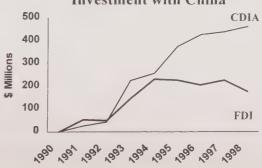


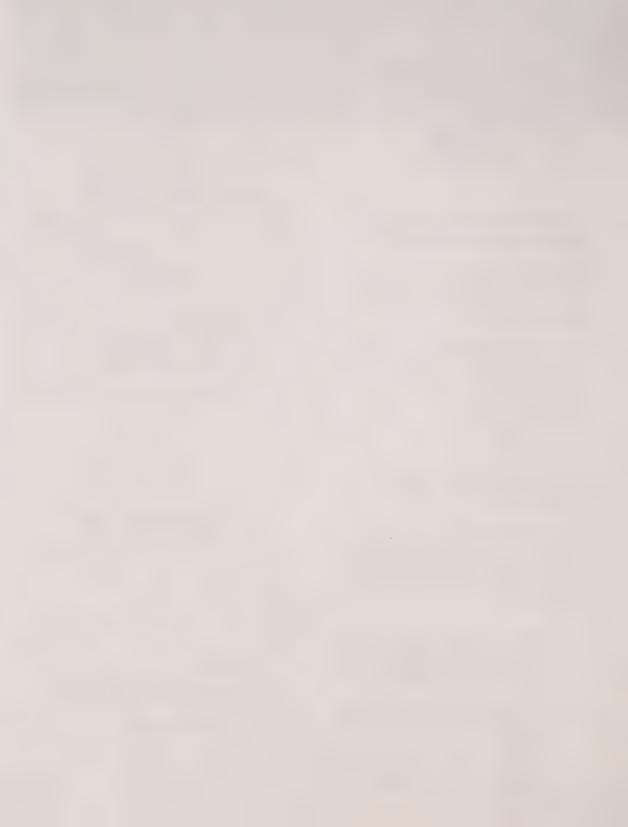
Source: Industry Canada compilations based on Statistics Canada data.

And our direct investment in China has grown quickly

- Although Canadian Direct Investment Abroad (CDIA) in China has increased substantially from almost nothing in 1990 to \$464 million in 1998, China still accounts for a very small portion of CDIA (about 0.2%).
 - ► CDIA in Hong Kong has also increased dramatically between 1990 and 1998 and stood at \$2.9 billion in 1998, more than six times greater than in China.
- In 1998, China accounted for more than a quarter of all FDI inflows into developing countries.
- Chinese investment in Canada is extremely small and has not changed substantially since 1994.

Two-way Foreign Direct Investment with China





Hoothly Trade Mulletin

-Volume - Number 3

February 2000

-M57

Highlights

- December's exports were up 1.4% over the previous month and 12.9% over the previous year. Exports to the U.S. experienced a somewhat smaller increase over the previous month (1.3%) but a larger increase over the previous year (13.3%).
- Imports increased at a significantly faster pace than exports at 3.2% over the previous month, with imports from the U.S. showing a 3.5% increase.

 Nevertheless imports increased at a considerably slower pace than exports over the previous year.
- Canada's trade balance declined significantly compared to November, falling some \$400 million to \$2.7 billion in December, mostly due to the decline in the trade balance with the United States.
- Commodity prices increased 0.9% over December while the Canadian dollar gained a full cent and a half. Over the past year, commodity prices increased by over 26 percent, and the value of the Canadian dollar increased by more than 4 cents.
- Export prices changed little over the previous month, up only 0.1%. Import prices, however, declined by 0.6%.

Key Monthly Trade Indicators (December 1999)

		% chan	ge over
	\$ millions	previous month	previous year
Exports	31,446	1.4	12.9
- Exports to U.S.	26,940	1.3	13.3
Imports	28,239	3.2	8.9
- Imports from U.S.	21,140	3.5	4.8
Trade Balance*	2,742	3,207	1,492
- Balance with U.S.*	5,410	5,800	3,211
Commodity Prices**	106.3	0.9	26.1
Canadian Dollar (US¢)*	69.3	67.8	65.2
Export Prices**	117.7	0.1	2.3
Import Prices**	108.1	-0.6	-5.0

^{*} Data in levels only

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report:

Canada's Automotive Trade



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

Canadä

Team Canada Inc • Équipe Canada inc

^{**} Index (1992=100)



Volume L Number 3

February 2000

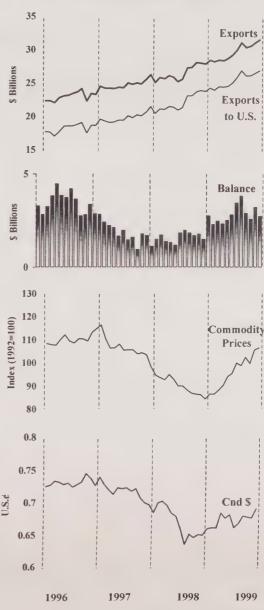
Exports reach a record level

- Merchandise exports reached a record \$31.8 billion in December, as exports to non-U.S. destinations picked up. Exports to the U.S. also increased to reach \$27.2 billion, but remained slightly off the peak of \$27.3 billion achieved in August.
- Merchandise imports from all destinations increased significantly. Imports from the U.S. increased 4.8% over the last year to \$21.1 billion but much less than the 8.9% rise in merchandise imports from the world which rose to \$28.2 billion.

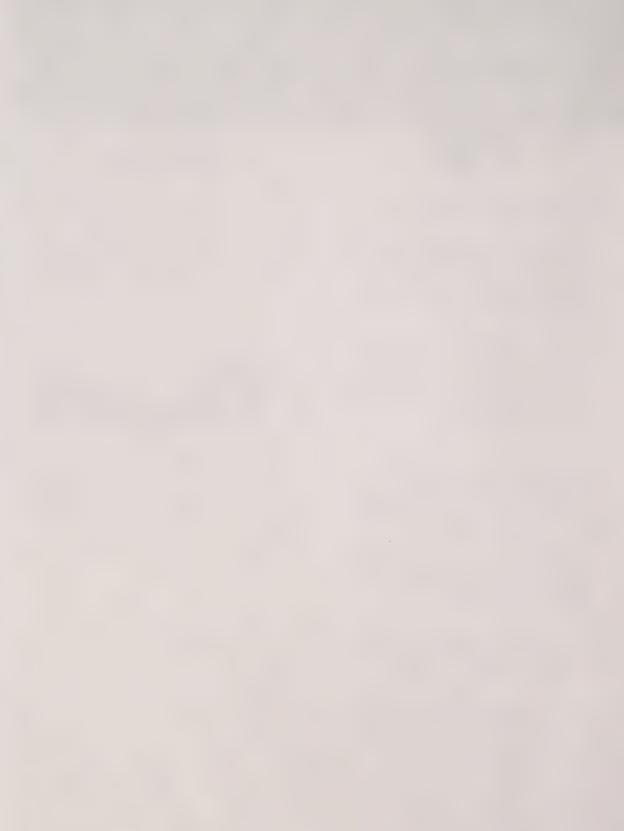
Despite only a small rise in commodity prices, the Canadian dollar registers significant gains

- Commodity prices in December reached their highest point, 106.3, since May 1997 recovering significantly from the low of 84.3 in December 1998.
 - ➤ This increase was driven primarily by significant increases in energy prices over the past year.
- Similarly, the Canadian dollar closed 1999 at 69.3 cents, its highest since April 1998. The dollar is up 5.6 cents from the low of 63.8 cents in August 1998.

Merchandise Trade



Source: Statistics Canada, Bank of Canada



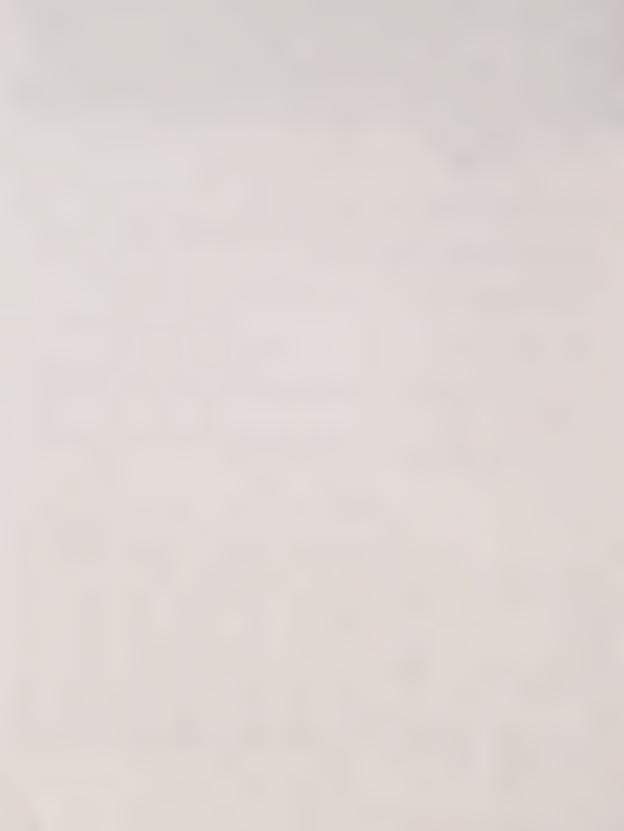
Mixed Performance for Team Canada Sectors

- Two Team Canada sectors showed exceptional rates of growth, greater than 20% over the first 11 months of 1999, compared to the same period in 1998. Automotive exports grew at a tremendous 24.7% and Environmental Products at 22.8%.
 - ▶ Building Products, growing 12.8% was the only other sector to outperform growth in total merchandise exports at 11.2%.
- Only Agri-food experienced a decline in exports during this period, losing 4.7% compared to the same period last year.
- The industrial structure of trade balances remained more or less the same in 1999 as in 1998 (with the exception of the automotive sector) reflecting Canada's comparative advantage (disadvantage) position.
 - ▶ In the automotive sector, Canada's trade balance in the first 11 months was close to \$8 billion compared to a small deficit in the first 11 months of 1998.

Merchandise Trade, (Team Canada Sectors)

	Exports			Imports			Balance		
	Milli	ons	Growth	Millions		Growth	Millio	Millions	
Team Canada Sectors	1998 YTD*	1999 YTD*	1998-	1998 YTD*	1999 YTD*	1998-	1998	1999	
Team Canada Sectors	Jan-Nov	Jan-Nov.	1999	Jan-Nov.	Jan-Nov.	1999		1333	
Aerospace & Defence	12,202	13,060	7.0%	12,987	14,822	14.1%	-785	-1,762	
Agri-Food	21,036	20,038	-4.7%	14,971	15,082	0.7%	6,065	4,956	
AMT**	3,111	3,192	2.6%	3,685	3,859	4.7%	-574	-667	
Automotive	68,511	85,416	24.7%	68,671	77,458	12.8%	-159	7,958	
Building Products	14,798	16,698	12.8%	12,348	13,446	8.9%	2,450	3,253	
Electrical Power Equipment	4,987	5,377	7.8%	8,185	9,777	19.5%	-3,198	-4,401	
Enviromental Products	645	792	22.8%	1,142	1,370	20.0%	-497	-578	
Health	3,018	3,355	11.2%	5,539	6,233	12.5%	-2,521	-2,878	
ICT***	23,194	24,975	7.7%	42,087	46,778	11.1%	-18,893	-21,803	
Plastics	6,934	7,517	8.4%	6,358	6,953	9.4%	576	564	
Total Merchandise Exports	291,109.3	323,602.0	11.2%	273,858.3	293,250.5	7.1%	17,251.0	30,351.6	

AMT - Advanced Manufacturing Technologies
ICT - Information and Communication Technologies

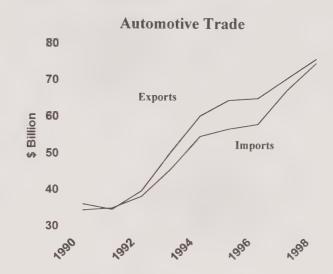


In the 1990's, automotive trade more than doubled...

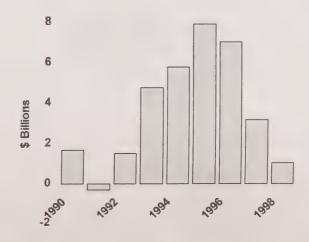
- Over 1990-98, automotive trade more than doubled with exports increasing from \$36 billion to \$76 billion and imports from \$34 billion to \$75 billion.
- During the 1990s, automotive exports grew 11.8% annually nearly two full percentage points higher than merchandise trade as a whole.
 - ➤ For the first 11 months of 1999, automotive exports have been growing at a pace of 20% per year.
- Canada's automotive import growth during 1990-98 was even stronger, averaging 12.1%.

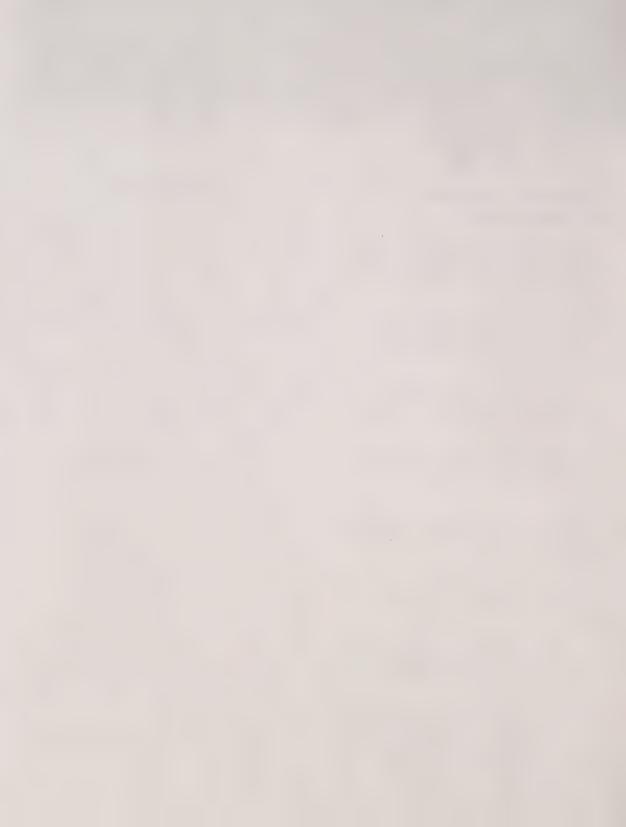
...but the trade balance has been shrinking since the mid 1990s

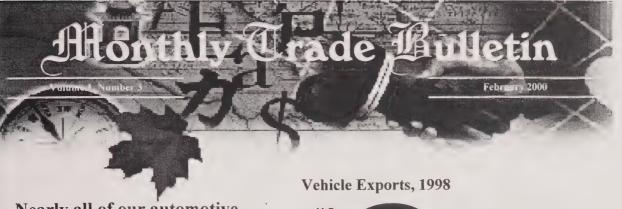
- Canada's has maintained a positive trade balance in automotives throughout the nineties, with the exception of 1991.
- From 1991 to 1995, the trade balance increased steadily, rising to \$8 billion, but has declined continuously since then, falling to \$1 billion in 1998.
 - For the first 11 months of 1999, export growth has outpaced that of imports by a considerable margin, leading to a trade surplus of more than \$6 billion, comparable to the 1996 level.



Automotive Trade Balance







Nearly all of our automotive exports go to the U.S.

- More than 97% of our vehicle exports and 93% of parts exports go to the U.S. — \$62.0 billion worth of vehicle exports and \$11.5 billion in parts.
 - ➤ The importance of the U.S. as an export destination may be somewhat overstated however, as some exports, particularly assembled vehicles, may first be exported to the U.S. parent and then re-exported to their final destination.

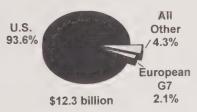
Imports, however, tend to be more diversified

- The U.S. also accounts for the vast majority of automotive imports — 83% of vehicles and 82% of parts in 1998, and its shares have increased substantially since 1990.
- Japan accounted for 7.8% of vehicle imports and 3.7% of parts imports in 1998.
 Both of these shares, however, are down considerably from the 1990 levels, due to increased imports from the U.S. and Mexico.
- In 1998, Mexico moved to the number two position behind the U.S. in parts imports and third after Japan in assembled vehicles.

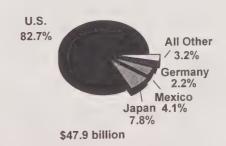


\$63.5 billion

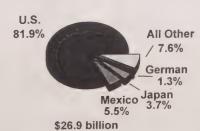
Parts Exports, 1998

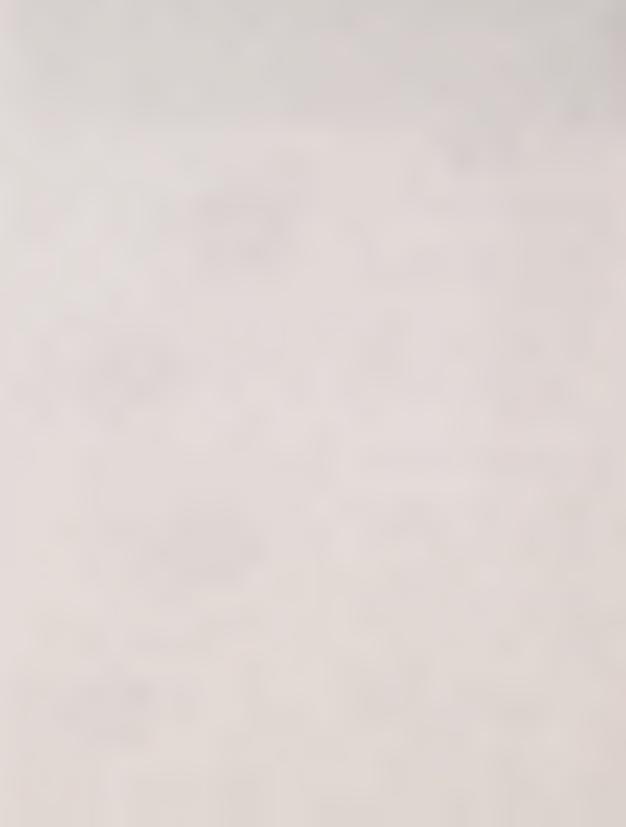


Vehicle Imports, 1998



Parts Imports, 1998

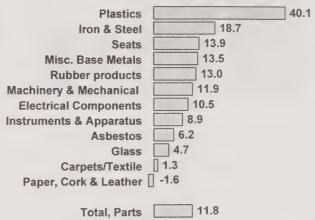




Export growth in motor vehicle parts has been strong...

- Export growth of automotive parts in total outpaced export growth of vehicles between 1990 and 1998, 11.8% vs. 9.7% per year.
- This was lead by growth in Plastics (40%), Iron & Steel (18.7%) and Seats (13.9%).

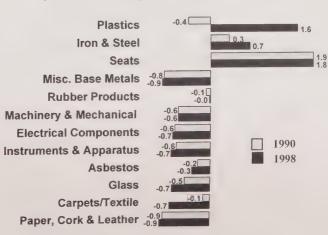
Growth in Exports — Auto Parts (Annual Average, Percent, 1990-98)

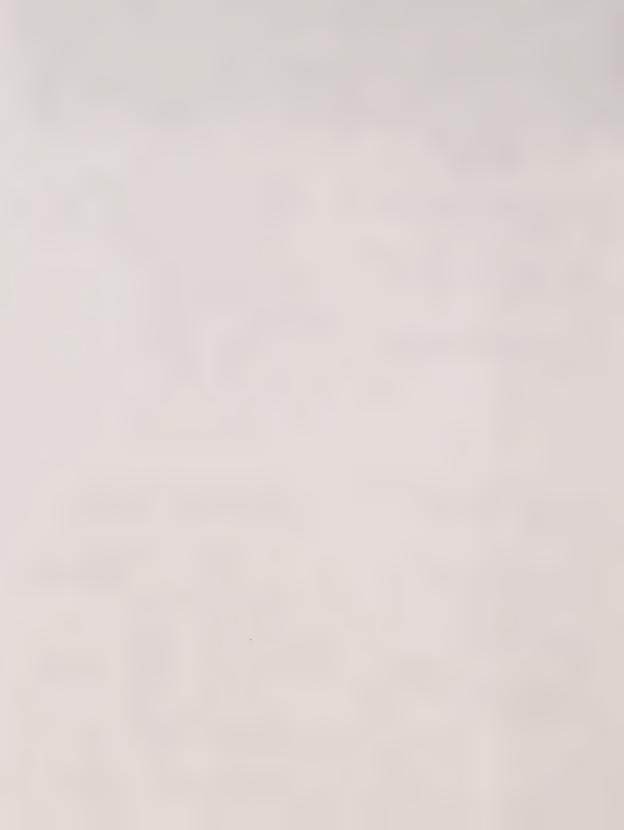


...especially in areas where we have a strong comparative advantage

- Trade balances by product give an indication of Canada's comparative advantage and disadvantage position.
- Canada has a strong comparative advantage in Plastics, Iron & Steel and Seats, as shown by the large trade balances.
 Rubber Products
 Machinery & Mechanical
 Electrical Components
 - ► In all other products, Canada registered negative and growing trade balances in both 1990 and 1998.

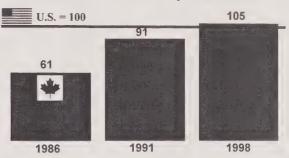
Trade Balances — Auto Parts (Percent of Exports, 1990 and 1998)







Labour Productivity* in Automotive Assembly and Parts



* Real GDP per hour, 1992 PPP

Source: Stanford, Jim "A Success Story: Canadian Productivity Performance in Auto Assembly", 2000.

Canada-US Exchange Rate



1.1 1986 1988 1990 1992 1994 1996 1998

Source: Statistics Canada

Average Wages in Motor Vehicle Industry (Thousands US\$/year*)



* Converted using 1990 PPPs

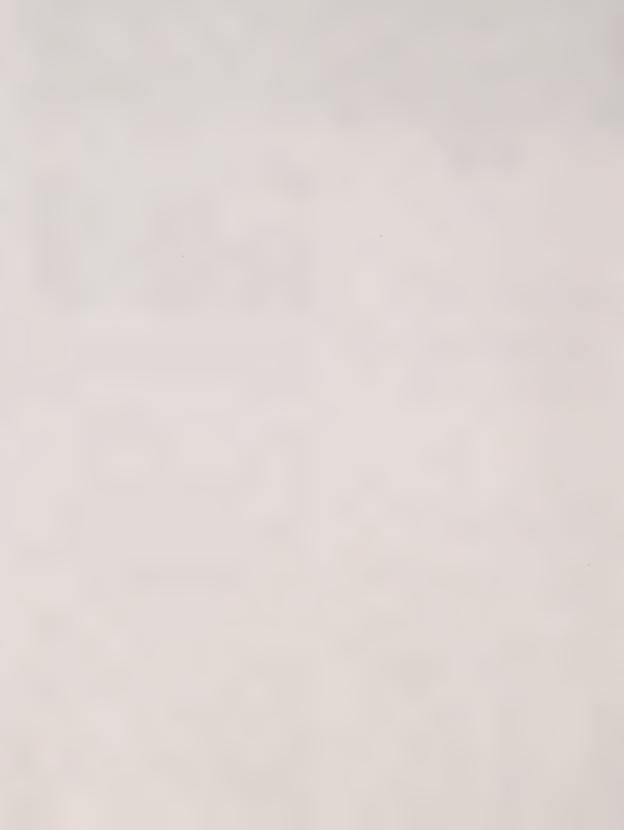
Source: Industry Canada compilations from OECD STAN Database

Canadian labour productivity exceeds the U.S. level...

• In 1998, Canadian labour productivity in the automotive industry surpassed the U.S. level by 5%, compared to a productivity disadvantage of about 40% in 1986.

...contributing to a huge cost advantage for Canada

- The low value of the Canadian dollar, lower wages and salaries and higher productivity give Canada a huge cost advantage.
- For instance, in 1996, Canadian wages in the motor vehicle industry were on average one-third lower than in the U.S. (measured in terms of purchasing power parities).



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Highlights

- January was a banner month for Canada's merchandise trade account. The trade surplus reached \$4.5 billion the largest monthly surplus in Canadian history.
- Export growth was strong in January, up 4.0%, the largest one month increase in more than a year. In contrast, imports dipped 1.8%.
- Increases in exports to the U.S., up 4.4%, was at back of the strong trade performance.
- Canada's trade surplus with the U.S., at \$6.9 billion in January, was up significantly from December. The improvement was driven by a combination of strong auto exports to the U.S. and a decline in auto parts imports from the U.S.
- Commodity prices, buoyed by rising oil prices, increased 2.4% over December. Higher commodity prices in turn helped to raise export prices (up 1.4%) as well as import prices (up 1.5%).
- The Canadian dollar was largely unchanged, losing 0.1¢ during the month, but was still up 3.0¢ from the previous year.

Key Monthly Trade Indicators (January 2000)

		% chan	ge over
	\$ millions	previous month	previous year
Exports	33,160	4.0	15.1
- Exports to U.S.	28,482	4.4	15.7
Imports	28,628	-1.8	9.9
- Imports from U.S.	21,588	-1.3	6.0
Trade Balance*	4,532	2,742	2,772
- Balance with U.S.*	6,893	5,410	4,249
Commodity Prices**	108.8	2.4	26.1
Canadian Dollar (US¢)*	69.2	69.3	66.2
Export Prices**	119.4	1.4	3.6
Import Prices**	109.7	1.5	-3.8

^{*} Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data

This Month's Feature Report:

Trade Team Canada — 1999, Year in Review



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

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^{**} Index (1992=100)



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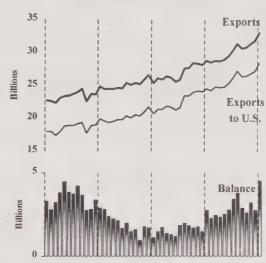
Canada's trade surplus reached a record \$4.5 billion in January

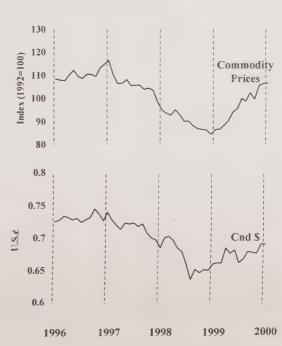
- January's record trade surplus was significantly higher than December's \$2.7 billion.
- Total merchandise exports reached an all-time high of \$33.2 billion, fueled largely by strong U.S. demand.
 - ➤ January marked the fourth month in a row in which exports rose.
- Imports declined slightly in January to \$28.6 billion.

Commodity prices and the dollar have begun to stabilize

 After fluctuating considerably over the past year, both commodity prices and the external value of the Canadian dollar changed little in December & January.

Merchandise Trade





Source: Statistics Canada, Bank of Canada



Automotive exports soared in 1999

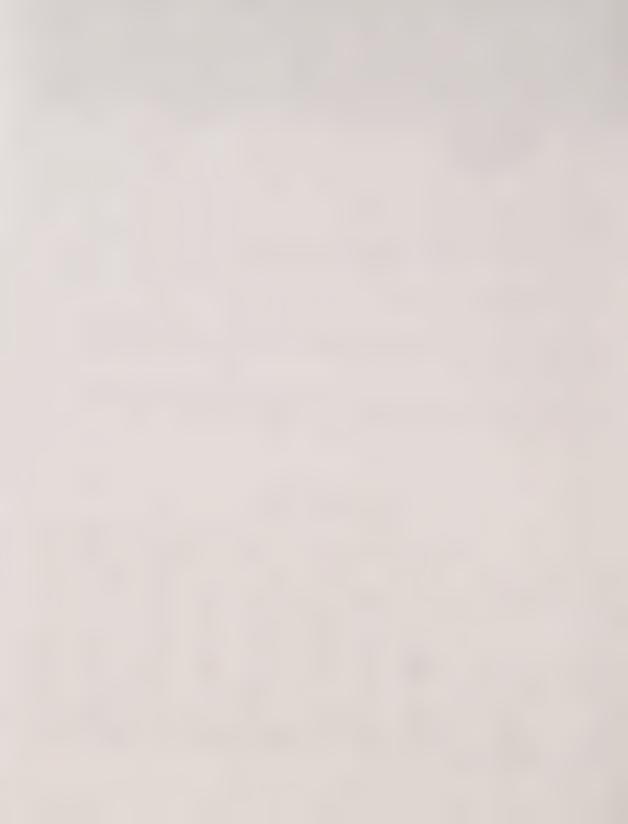
- Auto exports grew 23.1% or \$17.5 billion in 1999. As a result, the Automotive trade surplus increased to \$9.2 billion in 1999, up from only \$1.1 billion in 1998.
 - ➤ Nearly 50% of the increase in Canada's total merchandise exports in 1999 was as a result of increased Automotive exports.
- Building Products also posted a significant improvement in its trade surplus, increasing nearly \$900 million from \$2.6 billion in 1998 to \$3.5 billion in 1999. Exports outpaced imports by a significant margin (12.9% versus 9.0%).
- In all other Team Canada Sectors, imports grew faster than exports in 1999. Furthermore, only three Team Canada Sectors managed to outpace Canada's total merchandise growth in 1999: Automotive, Building Products and Environmental Products.

Merchandise Trade, (Team Canada Sectors)

	Exports				Imports		Balance	
	Millio	ons	Growth	Millions		Growth	Millio	ns
Team Canada Sectors	1998	1999	1998- 1999	1998	1999	1998- 1999	1998	1999
Aerospace & Defence	12,658	13,256	4.7%	11,123	12,888	15.9%	1,535	368
Agri-Food	22,811	21,938	-3.8%	16,370	16,496	0.8%	6,441	5,442
AMT*	3,414	3,515	3.0%	4,023	4,234	5.3%	-609	-719
Automotive	75,811	93,320	23.1%	74,726	84,112	12.6%	1,084	9,208
Building Products	16,062	18,134	12.9%	13,416	14,619	9.0%	2,646	3,515
Electrical Power Equipment	5,415	5,924	9.4%	8,975	10,699	19.2%	-3,560	-4,775
Environmental Products	723	849	17.4%	1,244	1,495	20.2%	-521	-646
Health	3,311	3,632	9.7%	6,092	6,854	12.5%	-2,781	-3,222
ICT**	25,360	27,714	9.3%	46,310	51,633	11.5%	-20,950	-23,920
Plastics	7,524	8,175	8.7%	6,930	7,574	9.3%	594	601
Total Merchandise Exports	318,522.5	354,107.6	11.2%	298,545.3	319,909.6	7.2%	19,977.3	34,198.0

^{*} AMT - Advanced Manufacturing Technologies

** ICT - Information and Communication Technologies



The U.S. continues to be the most important market for Team Canada Sector exports

- For all Team Canada Sectors, with the exception of Agri-food, the U.S. is the destination for more than three-quarters of exports.
 - ▶ This ranges from 77.6% for Aerospace & Defence to 97.5% for the Automotive Sector.
- The European Union (E.U.) accounts for a significant portion of the more high-tech sector exports such as Aerospace & Defence (13.2%), ICT (7.4%) and AMT (7.3%).
- Asia-Pacific is an important market for more resource-based exports such as Agri-food (16.1%) and Building Products (5.9%).
- Latin America and Other destinations account for a very small share (about 5%) of Team Canada Sector exports, with the exception of Agri-food (16.8%).

Trade Team Canada Sector Exports Share by Destination, 1999

	U.S.	E.U.	Asia Pacific	Latin America	All Other
Aerospace & Defence	77.6	13.2	3.2	1.1	4.9
Agri-Food	61.2	5.9	16.1	7.3	9.5
AMT	84.8	7.3	2.6	2.8	2.4
Automotive	97.5	0.8	0.6	0.8	0.3
Building Products	89.0	3.0	5.9	0.9	1.1
EPE	86.7	5.5	4.2	1.6	2.0
Environmental Products	91.2	3.0	2.5	1.1	2.2
Health	82.7	8.3	3.2	2.4	3.5
ІСТ	83.5	7.4	4.3	2.0	2.7
Plastics	90.1	3.6	2.5	2.4	1.3
All Exports	87.1	4.5	4.8	1.5	2.1



Horthly Urade Bulletin Name 1999 Year in Review

Canada's U.S. destined exports show the strongest growth

- Merchandise exports to the U.S. grew 14.2% in 1999 while exports to all other destinations declined.
- All Team Canada Sectors posted positive rates of export growth to the U.S., with 7 out of the 10 Team Canada Sectors achieving gains in excess of 10%.
- In comparison, Canadian exports to the E.U. were down. For Team Canada Sectors, the results were mixed, with half posting large negative rates of growth. However, Aerospace & Defence and ICT reported their highest rates of growth to the E.U., at 13.7% and 13.6%, respectively.
- Team Canada Sector exports to Asia-Pacific performed poorly, with 6 out of 10 sectors declining. Although Automotive and EPE showed large positive gains, their growth was from an extremely small base. Only Building Products made any significant inroads to Asia-Pacific in 1999.
- Exports of Team Canada Sectors to Latin America and all other destinations performed worse than exports to Asia-Pacific, only Health Products managing to achieve a positive rate of growth.

Trade Team Canada Sector Exports Percentage Growth by Destination, 1998-99

	U.S.	E.U.	Asia	Latin	All	Ail
	0.5.	E.U.	Pacific	America	Other	Destinations
Aerospace & Defence	7.2	13.7	-13.8	-34.2	-19.6	4.7
Agri-Food	2.9	-18.0	-15.4	-14.6	-2.3	-3.8
AMT	6.4	3.7	-17.9	-24.6	-29.4	3.0
Automotive	23.7	4.5	81.3	-14.3	-23.0	23.1
Building Products	15.2	-11.3	14.0	-37.0	-10.6	12.9
EPE	10.6	-6.5	52.6	-8.2	-24.2	9.4
Environmental Products	31.5	-16.4	-52.6	-72.0	-24.3	17.4
Health	15.5	0.7	-32.2	20.0	-26.1	9.7
ICT	11.4	13.6	-5.2	-23.4	-3.2	9.3
Plastics	12.4	-20.0	2.4	-9.0	-39.7	8.7
All Exports	14.2	-1.8	-2.9	-14.7	-11.4	11.2



Ontario dominates Team Canada Sector exports...

- Ontario accounts for by far the majority of Team Canada Sector exports, with the largest share in 8 out of 10 sectors ranging from 26.5% in Aerospace & Defence to 92.5% in the Automotive sector. Overall, Ontario accounts for more than 55% of Canada's total merchandise exports.
- Quebec has the largest share of Aerospace & Defence exports at 55.8% of the total. Quebec also accounts for more than a quarter of exports of ICT, Health Products and Building Products.
- Team Canada Sector exports from the Prairie provinces are dominated by Agri-food, of which the Prairies account for nearly half of the Canadian total.
- British Columbia has a disproportionately small portion of Team Canada Sector exports. Only Building Products show a double digit share.
- The Atlantic provinces register a relatively small share of all Team Canada Sector exports. The only exception being Health Products with a 12.0% share.

Trade Team Canada Sector Exports Share by Province, 1999

	Atlantic	Quebec	Ontario	Prairies	B.C.
Aerospace & Defence	0.9	55.8	26.5	14.3	2.4
Agri-Food	3.6	11.6	30.2	49.1	5.6
AMT	0.8	9.7	79.9	4.3	5.3
Automotive	0.8	4.7	92.5	1.1	0.8
Building Products	3.4	25.2	41.8	7.7	21.9
EPE	0.4	15.0	65.9	12.1	6.5
Environmental Products	0.2	8.1	84.6	5.4	1.8
Health	12.0	25.5	44.4	10.0	8.1
ICT	0.5	33.6	51.6	9.7	4.7
Plastics	1.7	15.9	67.6	10.4	4.4
All Exports	3.9	17.5	55.2	14.9	8.4

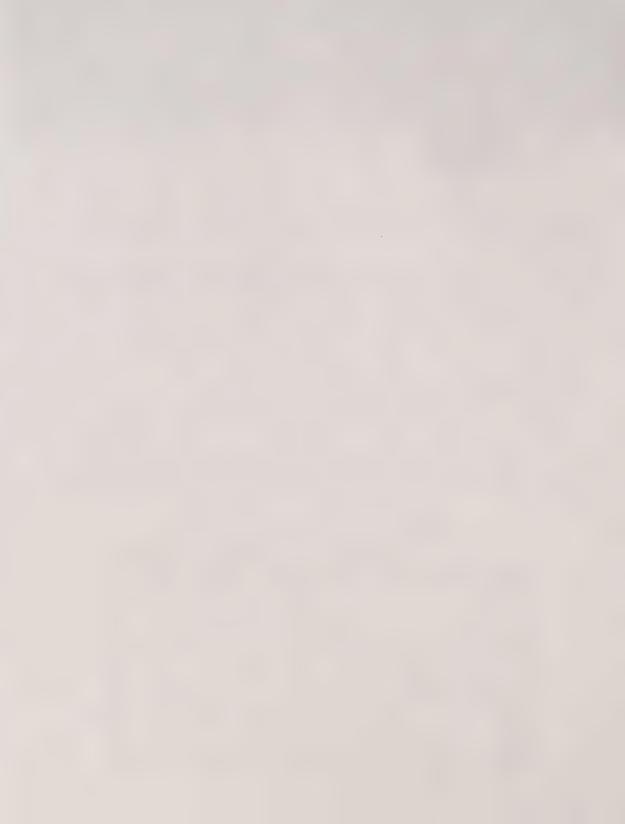


...but it is the Prairie provinces that stand out in terms of rates of growth in 1999

- Overall, the Prairie provinces posted export growth of 69.5% last year the highest export growth rate of any region. The Prairies also registered the highest rates of growth in 9 out of 10 Team Canada Sectors.
- The Atlantic provinces also exhibited high rates of growth in many sectors, albeit from a very small base.
- Quebec's export performance was mixed. Nonetheless, two sectors ICT and Health Products stand out as having both high shares as well as high rates of growth.
 - ▶ Plastics and Aerospace & Defence were also notable, showing strong growth from a large base.
- Team Canada Sector export growth from Ontario was generally poor, with only three sectors Environmental Products, Automotive and Building Products achieving double-digit rates of growth.

Trade Team Canada Sector Exports Percentage Growth by Province, 1998-99

	Atlantic	Quebec	Ontario	Prairies	B.C.	Canada
Aerospace & Defence	17.5	10.3	-11.1	93.2	-7.8	4.7
Agri-Food	3.3	-0.3	6.0	131.0	6.7	-3.8
AMT	-13.7	22.2	1.3	50.2	-2.3	3.0
Automotive	-9.3	-0.6	25.1	137.7	38.8	23.1
Building Products	33.6	8.7	11.2	75.7	15.1	-60.5
EPE	18.1	9.6	8.2	214.7	17.9	9.4
Environmental Products	98.8	-15.0	26.2	-5.1	-9.4	17.4
Health	4.4	11.4	4.7	126.3	10.2	9.7
ICT	31.7	16.9	2.6	62.0	9.7	9.3
Plastics	13.7	19.7	3.6	58.8	33.6	8.7
All Exports	10.7	7.7	13.7	69.5	10.6	11.2

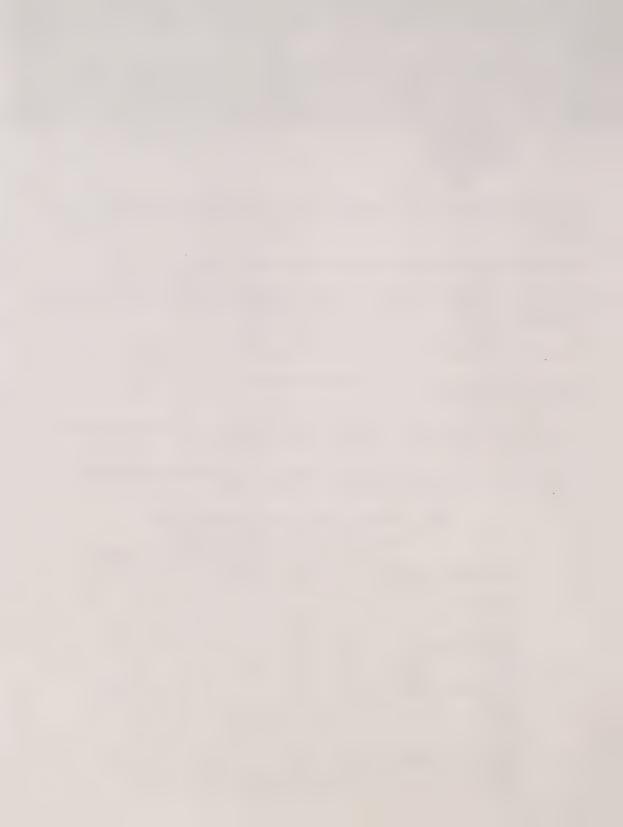


In each region, exports are highly concentrated in a few Team Canada Sectors

- Nearly 65% of Team Canada exports from Ontario are in the Automotive Sector.
- Exports from Quebec are more diversified in high-tech sectors such as ICT (29.3%), Aerospace & Defence (23.3%) and Automotive Sector (13.9%). Building Products also makes a large contribution (14.4%).
- Nearly 55% of Team Canada exports from the Prairies are confined to the Agri-food sector.
- Similarly, British Columbia's Team Canada Sector exports are dominated by just one sector Building Products (44.9%).
- Agri-food (26.1%), Automotive Sector (24.9%) and Building Products (20.1%) represent over 70% of total Team Canada Sector exports from the Atlantic Provinces.
- Team Canada Sectors accounted for 65.8% of Canada's total merchandise exports in 1999, ranging from 31.1% in the Atlantic provinces to 78.1% in Ontario.

Distribution of Trade Team Canada Sector Exports by Province, 1999 (Percent)

	Atlantic	Quebec	Ontario	Prairies	B.C.	Canada
Aerospace & Defence	3.9	23.3	2.6	9.5	3.7	6.7
Agri-Food	26.1	8.0	5.0	54.1	13.9	11.2
AMT	1.0	1.1	2.1	0.8	2.1	1.8
Automotive	24.9	13.9	64.9	5.2	8.9	47.5
Building Products	20.1	14.4	5.7	7.0	44.9	9.2
EPE	0.8	2.8	2.9	3.6	4.3	3.0
Environmental Products	0.1	0.2	0.5	0.2	0.2	0.4
Health	14.3	2.9	1.2	1.8	3.3	1.8
ICT	4.2	29.3	10.8	13.5	14.6	14.1
Plastics	4.5	4.1	4.2	4.3	4.1	4.2
Team Canada Share of						
Total Exports	31.1	63.5	78.1	39.4	53.2	65.8



Alberthly Trade Milletin

Highlights

- Although easing slightly in February, Canada's trade performance remains very strong.
- The merchandise trade surplus dipped in February from a record high in January. The drop in the trade surplus with the U.S. (down \$756 million) was entirely responsible for the overall decline (down \$541 million).
- After rising for four consecutive months, Canada's total merchandise exports declined in February.
- Imports were also down, but not to the same extent.
- Both exports to and imports from the U.S. declined by more than trade with other countries.
- Although commodity prices increased moderately, the Canadian dollar remained fairly stable, down one-tenth of a U.S. cent.

Key Monthly Trade Indicators (February 2000)

		% chan	ge over
	\$ millions	previous month	previous year
Exports	32,317	-2.6	12.9
- Exports to U.S.	27,471	-3.6	13.0
Imports	28,355	-1.2	7.7
- Imports from U.S.	21,291	-1.3	5.6
Trade Balance*	3,962	4,503	2,295
- Balance with U.S.*	6,180	6,936	4,139
Commodity Prices**	111.1	2.5	28.9
Canadian Dollar (US¢)*	69.1	69.2	66.3
Export Prices**	119.1	0.8	4.1
Import Prices**	109.5	-0.3	-3.7

^{*} Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report:

Canada's Foreign Direct Investment



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

Canadä

^{**} Index (1992=100)

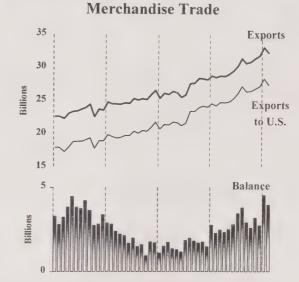


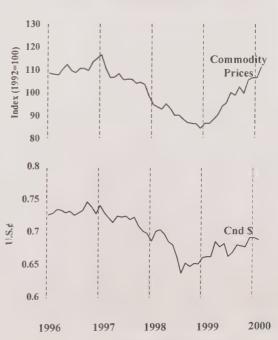
The trade surplus remains high

- While the trade surplus narrowed in February, the posted \$3.9 billion is still the second largest surplus in nearly four years.
- Reduced exports to the U.S. were the primary cause of the decline in the trade balance.
 - ► Exports to a few select areas, such as the U.K. and other E.U. countries, increased in February, with exports to all of the E.U. rising by more than 15% just in the past month.

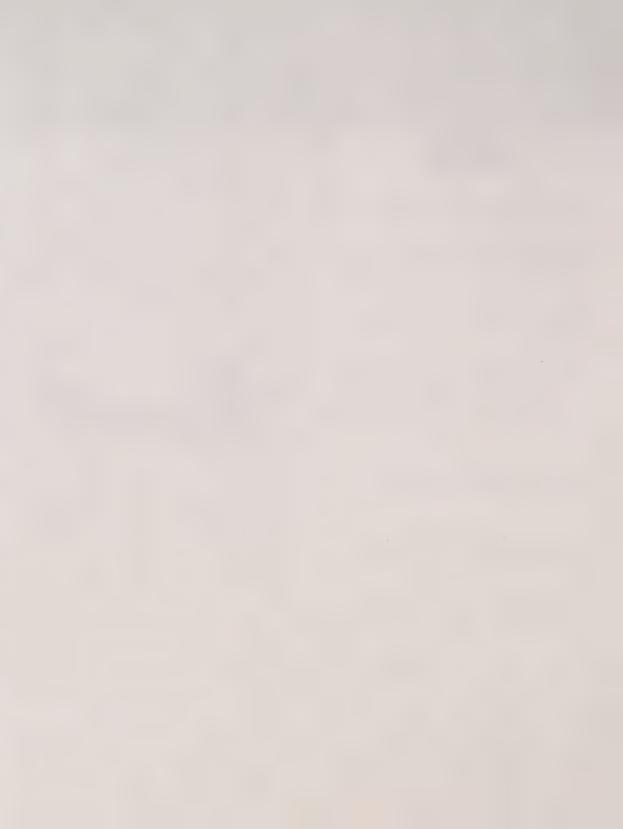
Commodity prices continue to rise

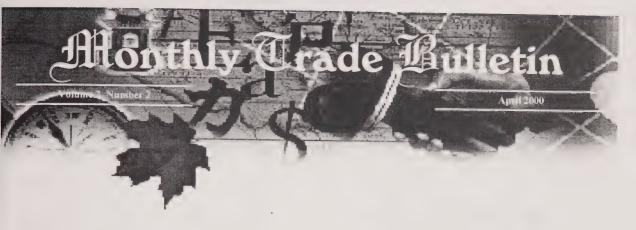
- Commodity prices rose 2.5% in February, up nearly 30% from February of last year.
- Even so, the value of the Canadian dollar vis-à-vis its U.S. counterpart remained relatively unchanged, down by 0.1 of a U.S. cent.





Source: Statistics Canada, Bank of Canada





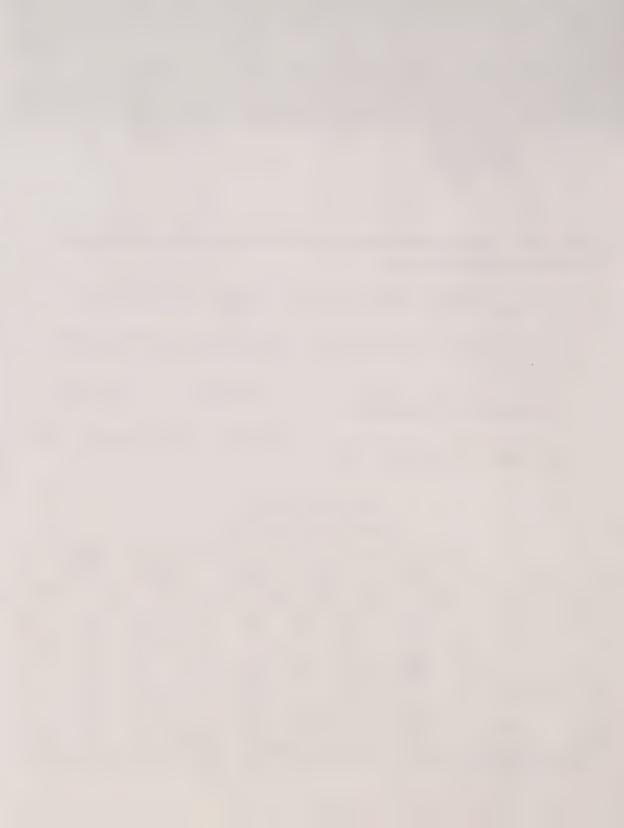
Five Team Canada Sectors report double-digit export growth in the first two months of the year

- ICT recorded the highest growth in exports of any Team Canada Sector to start the year off up 29.4% in January and February over the same period a year ago.
- · A number of other sectors also attained double-digit export growth over the first two months of 2000 — AMT (25.6%), Electric Power Equipment (20.1%), Plastics (19.6%), and Building Products (16.6%).
- Modest export growth was recorded in Agri-Food, Automotive, Health Products, Environmental Products and Aerospace & Defence industries.
- · Aerospace & Defence reversed its trade balance, registering a trade surplus in the first two months of 2000 compared to a deficit for the same months last year.

Merchandise Trade, (Team Canada Sectors)

	Exports				Imports		Balance		
	Milli	ons	Growth	Milli	ons	Growth Millio		ons	
	1999 YTD	2000 YTD	1999-	1999 YTD	2000 YTD	1999-	1999	2000	
Team Canada Sectors	Jan-Feb.	Jan-Feb.	2000	Jan-Feb.	Jan-Feb.	2000	1333	2000	
Aerospace & Defence	2,147	2,338	8.9%	2,306	1,858	-19.4%	-159	480	
Agri-Food	3,284	3,376	2.8%	2,454	2,635	7.4%	830	740	
AMT	489	614	25.6%	563	701	24.4%	-74	-87	
Automotive	15,260	16,295	6.8%	13,307	14,232	7.0%	1,953	2,062	
Building	2,595	3,027	16.6%	2,249	2,469	9.8%	347	558	
Electrical Power Equipment	900	1,081	20.1%	1,559	1,823	16.9%	-659	-742	
Enviro	138	145	5.1%	230	312	35.6%	-92	-167	
Health	562	575	2.3%	1,064	1,090	2.5%	-502	-516	
ICT	3,831	4,955	29.4%	7,488	8,529	13.9%	-3,657	-3,574	
Plastics	1,190	1,423	19.6%	1,127	1,294	14.8%	63	129	
Total Merchandise Exports	54,155.7	62,027.4	14.5%	48,341.0	53,750.8	11.2%	5,814.7	8,276.7	

AMT - Advanced Manufacturing Technologies
ICT - Information and Communication Technologies



Monthly Trade Bulletin

April 2000

anadals Foreign Direct Investment

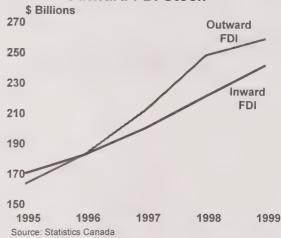
Growth of outward FDI stock slowed considerably in 1999

- For the first time in more than a decade, inward foreign direct investment (FDI) stock grew faster than outward FDI. This was a result of a dramatic slowdown in the growth of outward FDI stock in 1999 rather than a pickup in the growth of inward FDI stock.
- Inward FDI stock has grown at a relatively steady pace between 1995 and 1999, averaging 9.3% annually. Outward FDI stock grew only 4.5% in 1999 after averaging 15.2% annually between 1995 and 1998.
 - ➤ In 1998, Canada's stock of outward FDI was 12% higher than the stock of inward FDI. This gap narrowed to 7% in 1999.

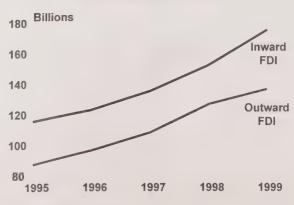
The U.S. is still a net exporter of capital to Canada

- The U.S. invests much more in Canada than we invest there.
- After narrowing for the past few years, the gap between the stock of U.S. investment in Canada and the stock of Canadian investment in the U.S. began to widen again in 1999.

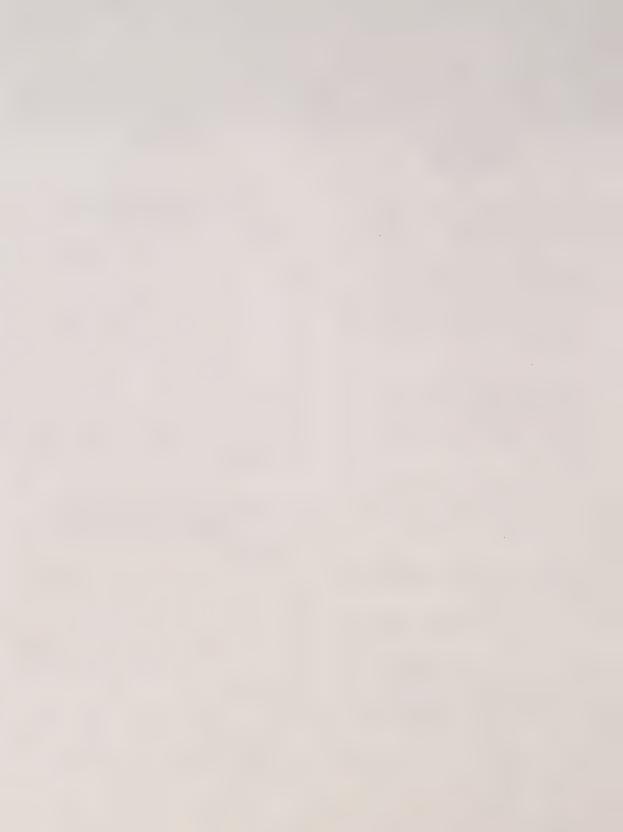
Canada's Total Inward and Outward FDI Stock



Canada's Inward and Outward FDI Stocks with the U.S.



Source: Statistics Canada



Honthly Trade Bulletin

anadas Foreign Direct Investment

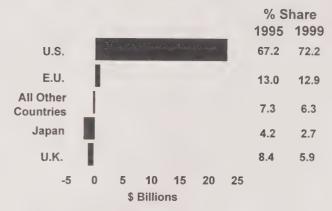
The U.S. was the dominant source for FDI in Canada in 1999

- Strong domestic economic performance was a key factor in the continued increase in U.S. foreign direct investment in Canada in 1999 (up 15.4%).
 - ➤ The U.S. share of Canada's total inward FDI stock increased from 67.2% in 1995 to 72.2% in 1999.
 - ➤ Most of this additional FDI was in the form of cross-border mergers and acquisitions (M&A).
- In contrast, the shares of Japan and the U.K. fell considerably.

Most new FDI in 1999 was in the telecommunications equipment and communications industries

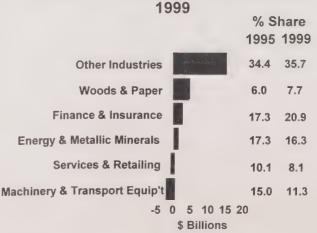
- Three-quarters of new FDI into Canada in 1999 was in "Other Industries", which includes the telecommunications equipment and communications industries.
- Between 1995 and 1999, the share of Finance & Insurance increased by 3.6 percentage points. The share of Machinery & Transportation Equipment declined by a similar amount.

Change in Inward FDI Stock by Country, 1999

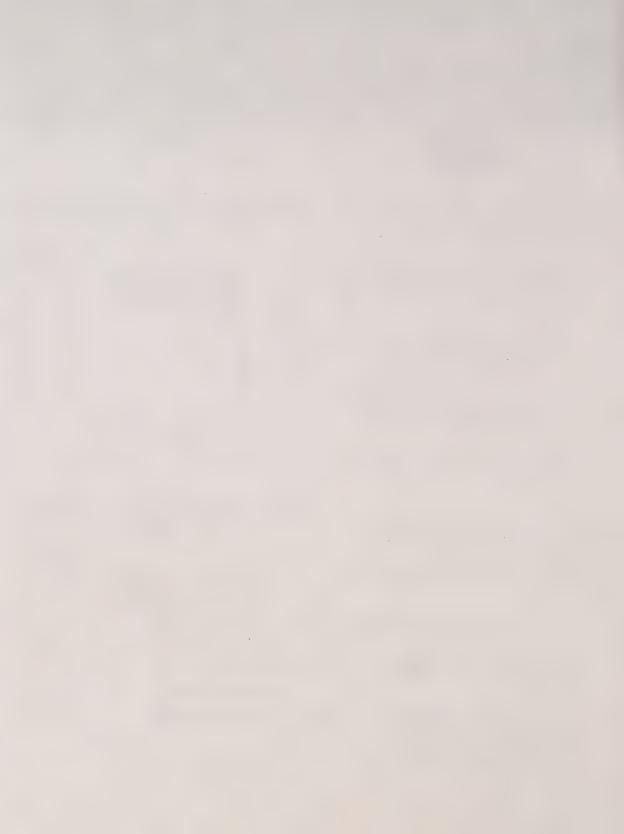


Source: Statistics Canada

Change in Inward FDI Stock by Industry,



Source: Statistics Canada



Monthly Trade Mulletin

anadals Fareign Direct Investment

The majority of Canada's outward direct investment continues to go to the U.S...

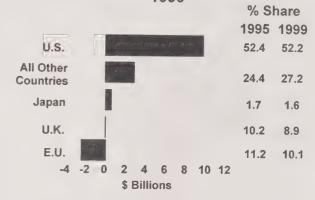
- Despite the weakness in the Canadian dollar, Canadian direct investment in the U.S. increased 7.9% in 1999.
 - ➤ Even so, the U.S. share of Canada's total outward FDI stock remained more or less constant between 1995 and 1999, averaging around 52%.
- Canadian companies continued to invest in countries other than the U.S., E.U. and Japan in 1999.
 - There was actually disinvestment in the E.U.

...and much of this was destined to Finance & Insurance

- In 1999, more than two-thirds of Canadian outward FDI was in Finance and Insurance industries.
- The share of Finance & Insurance increased from 30.3% in 1995 to 33.1% in 1999, largely due to a decline in the importance of Energy & Metallic Minerals.

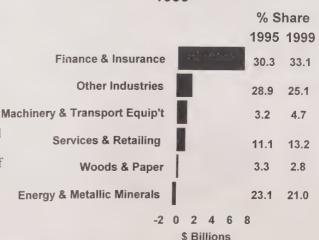
Change in Outward FDI Stock by Country, 1999

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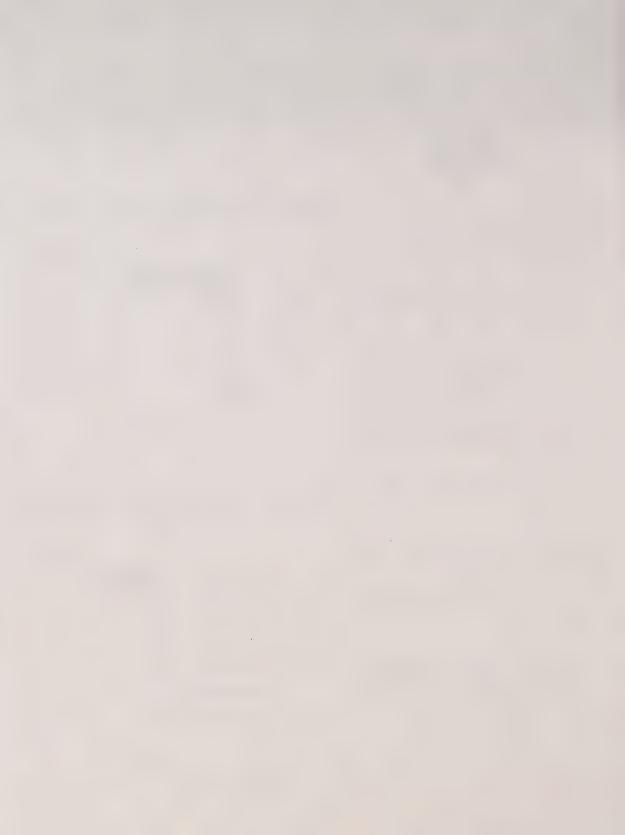


Source: Statistics Canada

Change in Outward FDI Stock by Industry, 1999



Source: Statistics Canada



Monthly Trade Mulletin

anadals Foreign Direct Investment

The vast majority of FDI in Canada is in majority owned subsidiaries....

- Nearly all FDI in Canada (88.3%) is in majority owned subsidiaries (greater than 50% ownership by the foreign parent).
- Only a very small proportion (6.9%) is in minority owned associates (less than 50%).

Source: Statistics Canada

Branches

Associates

Distribution of Inward FDI Stock

by Type of Concern, 1999

Subsidiaries

88.3%

Degree of Ownership
Subsidiaries >50%

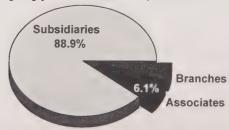
Associates <50%

Branches Unincorporated enterprise

...as is Canadian outward FDI

 The distribution of Canadian outward FDI by type of concern is almost identical to that of inward FDI.

Distribution of Outward FDI Stock by Type of Concern, 1999



Source: Statistics Canada



Highlights

- The merchandise trade surplus remains high. March came in at \$3.9 billion, up \$0.4 billion from the previous month. March's surplus with the U.S. rose \$0.9 billion to \$6.7 billion.
- Merchandise exports rose 4.5% in March, to \$33.5 billion, led by increased exports to the U.S. The U.S. accounted for over 86% of Canada's exports.
- Merchandise imports were also up, though not as much as exports.
- Despite a significant increase in commodity prices and a large improvement in the terms of trade (the ratio of export prices to import prices), the Canadian dollar remained unchanged at US 69.0 ¢.

Key Monthly Trade Indicators (March 2000)

	S	% change over			
	millions	previous	previous		
		month	year		
Exports	33 528	4,5	16,3		
- Exports to U.S.	28 817	5,5	16,0		
Imports	29 639	3,7	12,5		
- Imports from U.S.	22 112	2,7	9,3		
Trade Balance*	3 889	3 500	2 479		
- Balance with U.S.*	6 705	5 787	4 601		
Commodity Prices**	108,5	0,5	27,0		
Canadian Dollar (US¢)*	69,0	69,0	66,3		
Export Prices**	119,1	-0,1	3,5		
Import Prices**	108,7	-1,6	-3,7		

^{*} Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report:

A Profile of Canadian Exporters



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

Canadä

Team Canada Inc • Équipe Canada inc

^{**} Index (1992=100)



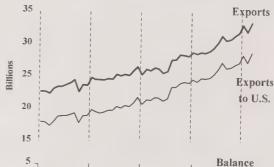
May 2000

The trade surplus remains high

- March's trade surplus of \$3.9 billion is the fourth largest in the last four years.
- Surging exports to the U.S. and to Other OECD countries (excluding the E.U. and Japan) and increases in commodity prices largely contributed to the widening of the trade surplus.
 - ➤ The impact of these two strong factors on the trade balance was partially offset by increased imports from all other countries, especially from the E.U.

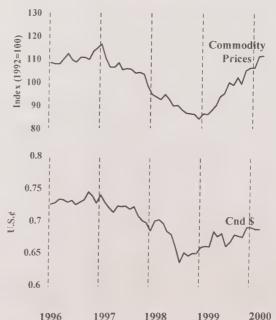
Commodity prices continue to rise

- Commodity prices rose 0.5% in March and were up 27% from March of last year.
- The value of the Canadian dollar relative to the U.S. dollar was unchanged over the month (up less than 1/100 of a US cent).

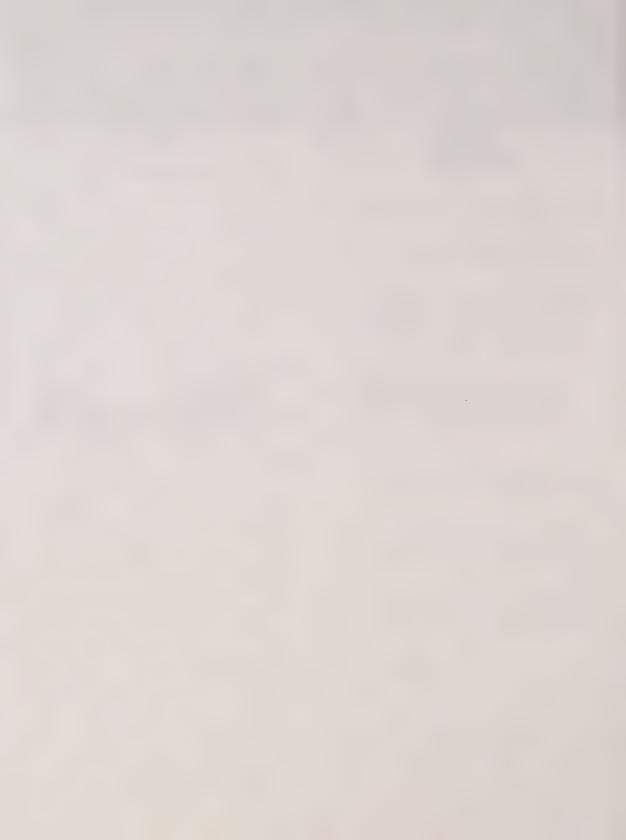


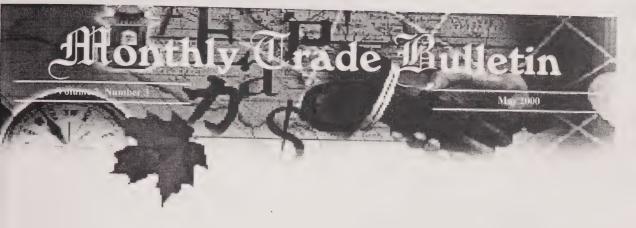
Merchandise Trade





Source: Statistics Canada, Bank of Canada





Six of ten Team Canada Sectors registered double digit export growth

- ICT exports continue to be the highlight of Team Canada export successes increasing over 31% in the first quarter of 2000 relative to the year previous.
- A number of other sectors also attained double-digit export growth in the quarter Electric Power Equipment (22.9%), Aerospace & Defence (19.8%), AMT (18.1%), Building Products (17.6%), and Plastics (17.2%).
- Three of the Team Canada Sectors reported relatively poor export growth in the first quarter —
 Agri-Food, Environmental Products, and Automotive with levels up 4 to 7 per cent from the
 first quarter of 1999.
- Exports of Health Products remained fairly constant thus far this year up only 0.6% over last year's first quarter levels.

Merchandise Trade, (Team Canada Sectors)

	Exports Imports				Balance			
	Milli	ons	Growth	Millions Growth		Millions		
Team Canada Sectors	1999 YTD	2000 YTD	1999-	1999 YTD	2000 YTD	1999-	1999	2000
	Jan-Mar.	Jan-Mar.	2000	Jan-Mar.	Jan-Mar.	2000		
Aerospace & Defence	3,235	3,875	19.8%	3,301	2,985	-9.6%	-67	891
Agri-Food	5,168	5,392	4.3%	3,880	4,094	5.5%	1,288	1,299
AMT*	832	983	18.1%	916	1,151	25.7%	-83	-168
Automotive	24,196	25,758	6.5%	21,388	22,839	6.8%	2,808	2,919
Building Products	11,778	13,847	17.6%	10,261	11,241	9.6%	1,518	2,607
Electrical Power Equipment	1,402	1,724	22.9%	2,488	2,890	16.2%	-1,085	-1,166
Environmental Products	216	228	5.9%	369	472	27.8%	-154	-244
Health Products	881	886	0.6%	1,722	1,740	1.0%	-841	-854
ICT**	6,106	8,019	31.3%	12,201	13,939	14.2%	-6,095	-5,920
Plastics	1,907	2,234	17.2%	1,828	2,061	12.7%	79	173
Total Merchandise Exports	85,044.2	97,785.5	15.0%	72,532.9	77,268.4	6.5%	12,511.3	20,517.0

AMT - Advanced Manufacturing Technologies
ICT - Information and Communication Technologies

Source: Industry Canada compilations based on Statistics Canada Data



Monthly Urade Bulletin

A Profile of Canadian Exporters

Canada's export community is dominated by many small exporters...

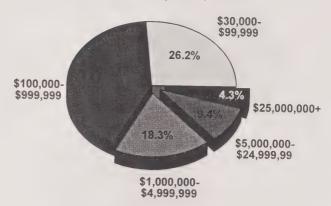
- As of 1997, there were over 30 thousand establishments in Canada exporting internationally. Nearly 21 thousand of these (68%) export less than \$1 million annually.
- Meanwhile, there were just over 1 thousand establishments exporting more than \$25 million annually, accounting for only 4.3% of all exporting plants.
- Nevertheless, large exporters account for a greater proportion of the total number of exporters than they did in 1993.
 - ➤ For example, in 1997, establishments exporting \$5 million or more accounted for 14% of exporters, up from 11% in 1993. Establishments exporting less than \$100 thousand in exports fell from 31% to 26% over the same period.

...but small exporters account for only a tiny fraction of Canada's total exports

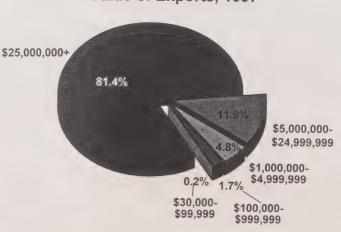
• Establishments exporting less than \$1 million annually made made up less than 2% of Canada's total exports while plants exporting more than \$25 million accounted for more than 81%.

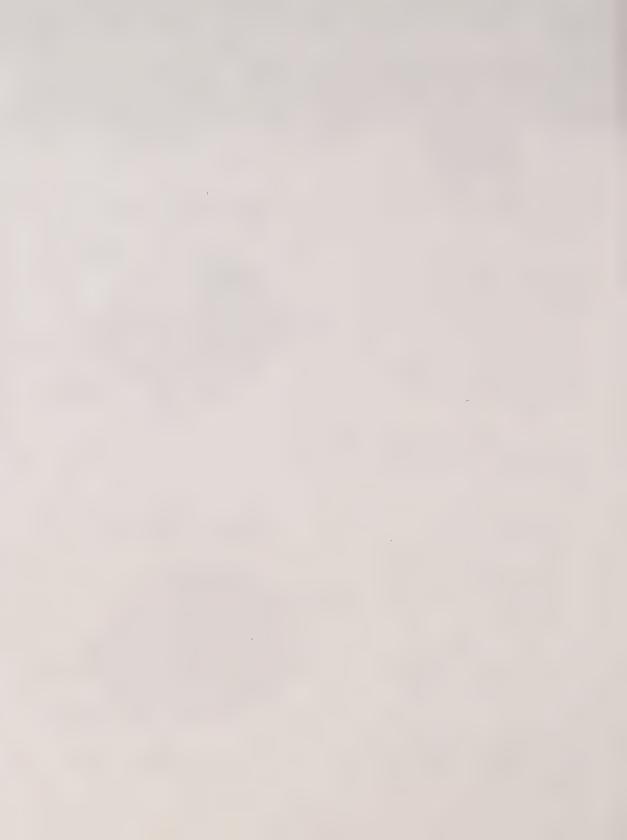
Number of Exporters by Value of Exports, 1997

May 2000



Share of Total Exports by Value of Exports, 1997





Honthly Trade Bulletin

- Volumes Number J

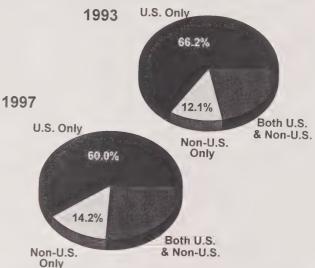
May 2000

A Profile of Canadian Exporters

The Majority of Canadian exporters concentrate on just the U.S. market

- In 1997, 60.0% of Canadian exporters (or 18 thousand establishments) exported only into U.S. markets, compared with 66.2% in 1993.
- In contrast, 14.2% of establishments (4 thousand establishments) exported only to non-U.S. markets. The remaining 25.8% (8 thousand) exported to both U.S. and non-U.S. markets in 1997.

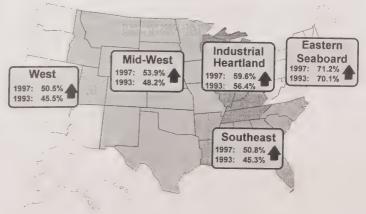
Distribution of Exporters by Destination



Canada's trade links with all U.S. regions is strengthening

- The presence of Canadian exports in all regional U.S. markets is growing.
 - ➤ For example, of those plants exporting to the U.S. in 1997, 50.5% exported to the U.S. West, up from 45.5% in 1993.

Distribution of Canadian Exporters to the U.S. Present in Each Regional U.S. Market





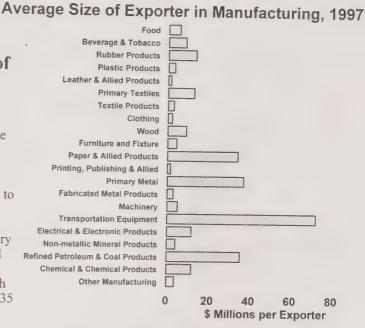
Honthly Crade Bulletin Number S A Profile of Canadian Exporters

Average establishment size of Canadian exporters varies greatly across industries...

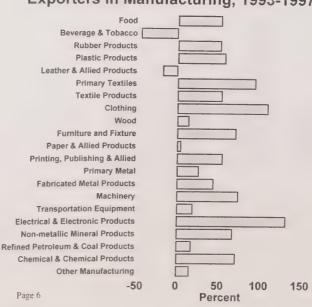
- The average size of export plants in the manufacturing sector is largest in Resource-based industries and Transportation Equipment where economies of scale would be expected to be most important.
 - ➤ Transportation Equipment, Primary Metal, Refined Petroleum & Coal Products and Paper & Allied Products all show a relatively high average value of exports, above \$35 million per year per exporter.

...but it increased in nearly all industries

- The average size of exporters increased considerably in all manufacturing industries over 1993-1997, except Beverage & Tobacco and Leather & Allied Products.
 - ➤ In Electrical/Electronics, Clothing and Primary Textiles, the value of exports increased more than twice as fast as the number of exporters.



Percent Change in Average Size of Exporters in Manufacturing, 1993-1997





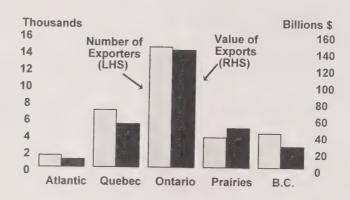
Monthly Trade Bulletin

A Profile of Canadian Exporters

The provincial distribution of both the number of exporters and the value of exports are highly correlated

• To illustrate, Ontario accounts for 47% of exporters and 51% of exports.

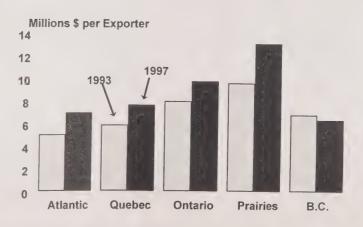
Provincial Distribution of Exporters by Number and Value, 1997



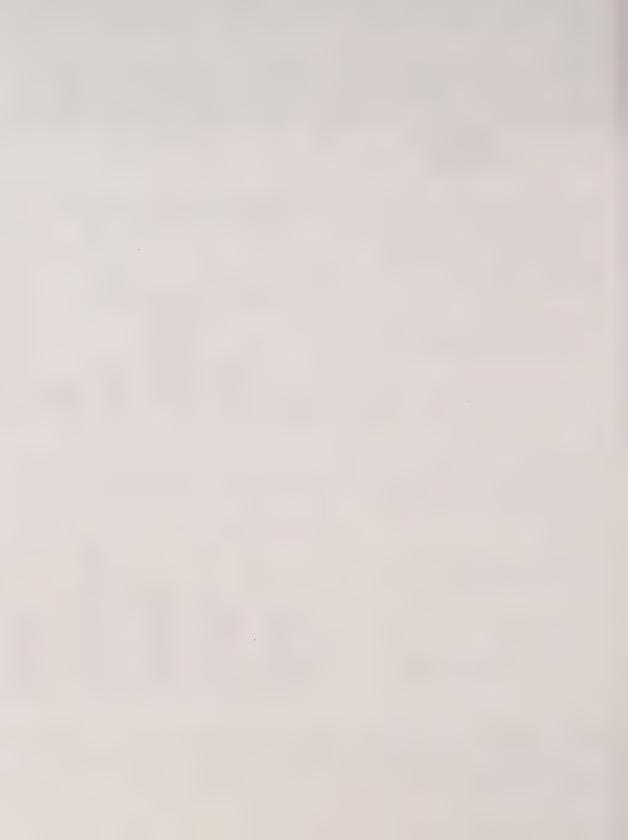
The average size of exporters is increasing in all provinces, except B.C.

- The Prairie provinces have the highest average value of exports per exporter, at more than \$13 million annually.
- B.C. had the lowest average value of exports per exporter in 1997.
 Moreover, unlike other provinces, the average value has declined since 1993.

Average Size of Exporter By Province



Note: All data in this special report is obtained from the Exporter Registry, released March 22, 2000 by Statistics Canada. The basic unit for an exporter is the establishment rather than the firm or company. A typical establishment is a plant, warehouse or mine. Re-exports, special transactions (HS chapter 99) and establishments with less than \$30,000 in exports annually have been excluded.



Highlights

- Trade numbers softened across the board in April. Exports and imports were both down, by 3.0% and 0.3%, respectively, and the trade balance narrowed by more than a fifth.
- Similar results were reported for trade with the U.S.; exports, imports and the merchandise trade balance were all down from the previous month.
- Export prices remained relatively unchanged in April, increasing by 0.7%. Import prices rose more substantially, up by 4.1%.
- The dollar weakened in April, down 2.0% or 1.4US¢. A significant fall in commodity prices (down 3.0%) was a contributing factor.

Key Monthly Trade Indicators (April 2000)

	\$	% chan	ge over
	millions	previous month	previous year
Exports	32,774	-3.0	14.0
- Exports to U.S.	28,428	-1.6	14.9
Imports	29,602	-0.3	12.6
- Imports from U.S.	21,979	-1.2	8.5
Trade Balance*	3,172	4,114	2,464
- Balance with U.S.*	6,449	6,635	4,481
Commodity Prices**	108.5	-3.0	20.3
Canadian Dollar (US¢)*	67.6	69.0	68.6
Export Prices**	119.0	0.7	3.9
Import Prices**	110.4	4.1	-2.7

^{*} Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report: Canadian Trade by Manufacturing High-Technology Industries



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor and Jennifer Brill, under the direction of Rick Cameron and Someshwar Rao.

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^{**} Index (1992=100)

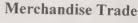


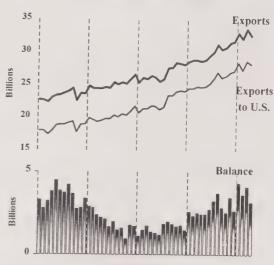
Exports, although down, are still at historically high levels

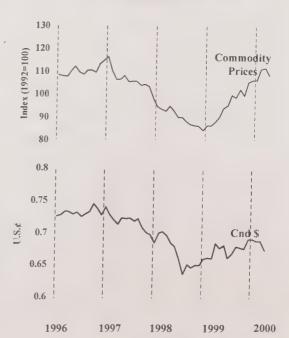
- The trade account can experience, at times, large month-to-month movements.
- Exports in April were somewhat lower than in March. Even so, they were still well above those in February.
- The trade surplus, although narrower than in March, is also at a historically high level.

Commodity prices declined for the first time since October of last year

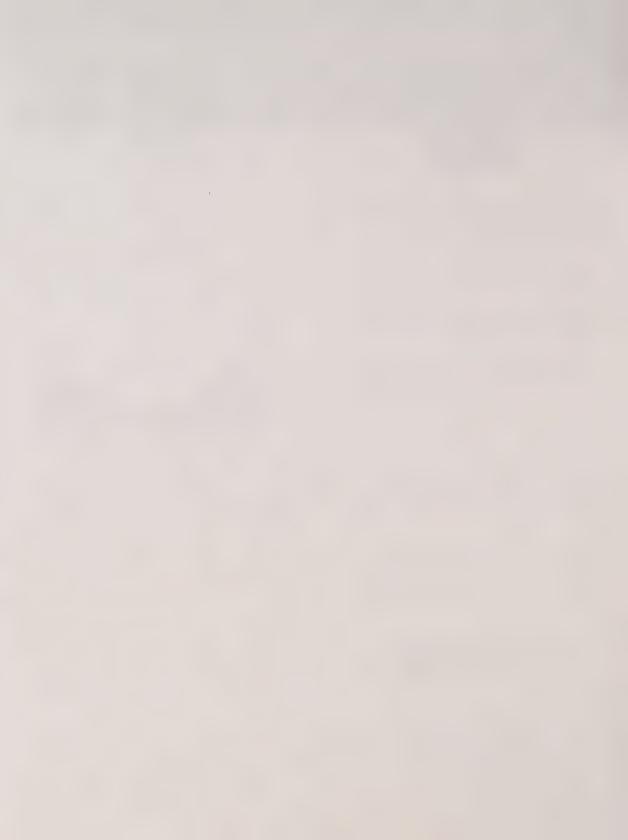
- Commodity prices fell by 3.0% in April.
 This is the first drop since October of last year and the largest one month decline since the summer of 1998.
- The Canadian dollar also weakened in April, loosing 2.0% of its value or 1.4US¢ relative to the U.S. dollar.

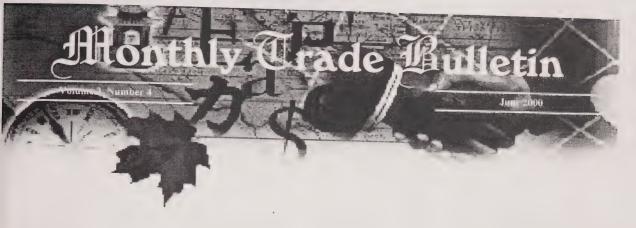






Source: Statistics Canada, Bank of Canada





However, for the first 4 months of the year, export growth outpaced import growth in 6 out of ten Team Canada Sectors

- Exports of the most knowledge-intensive sectors, such as ICT, AMT, and Electric Power Equipment have been buoyed by strong economic performance in Europe.
- Although export growth (32.5%) has greatly outpaced import growth (13.2%) and the balance of trade has improved greatly, the trade deficit in ICTs still outweighs the surplus of all other Team Canada Sectors.
- Three of the four sectors in which import growth outpaced export growth are also the three smallest Team Canada Sectors.
 - ► The fourth, however, is Automotive the single largest Team Canada Sector.

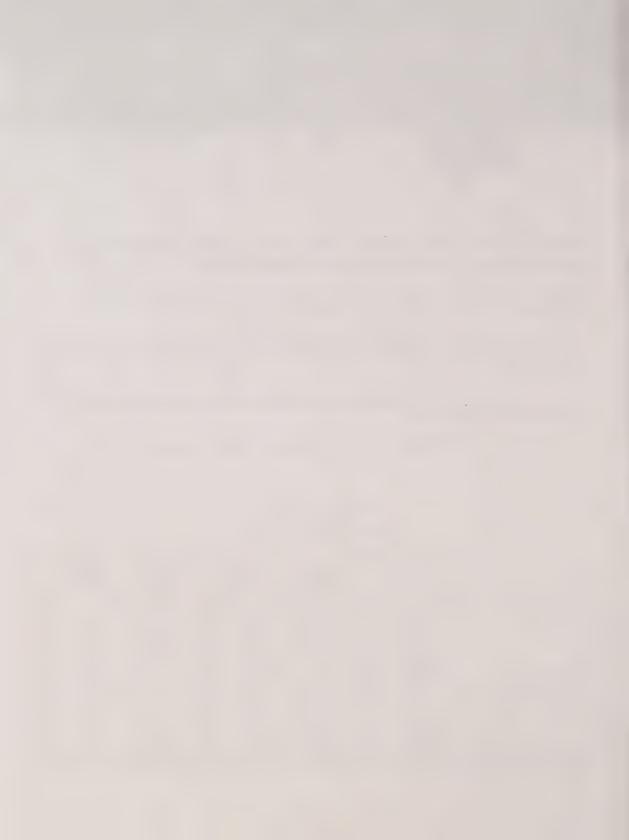
Merchandise Trade, (Team Canada Sectors)

		Exports Imports				Balance		
	Milli	ons	Growth	Millions Growth		Millions		
Team Canada Sectors	1999 YTD	2000 YTD	1999-	1999 YTD	2000 YTD	1999-	1999	2000
	Jan-Apr.	Jan-Apr.	2000	Jan-Apr.	Jan-Apr.	2000		
Aerospace & Defence	4,343	5,246	20.8%	4,293	3,960	-7.7%	50	1,286
Agri-Food	6,837	7,228	5.7%	5,296	5,442	2.8%	1,542	1,786
AMT	1,118	1,324	18.5%	1,248	1,558	24.8%	-131	-234
Automotive	32,161	33,529	4.3%	28,808	30,306	5.2%	3,353	3,223
Building Products	5,621	6,567	16.8%	4,822	5,349	10.9%	798	1,218
Electrical Power Equipment	1,871	2,329	24.4%	3,339	3,845	15.1%	-1,468	-1,516
Environmental Products	288	298	3.6%	496	823	66.1%	-208	-525
Health Products	1,202	1,178	-2.0%	2,265	2,277	0.5%	-1,062	-1,099
ICT	8,222	10,891	32.5%	16,246	18,389	13.2%	-8,024	-7,498
Plastics	2,590	3,007	16.1%	2,495	2,748	10.1%	94	259
Total Merchandise Exports	113,621.6	130,201.9	14.6%	104,023.5	114,888.5	10.4%	9,598.1	15,313.4

AMT - Advanced Manufacturing Technologies

1CT - Information and Communication Technologies

Source: Industry Canada compilations based on Statistics Canada Data



High-Technology Industries

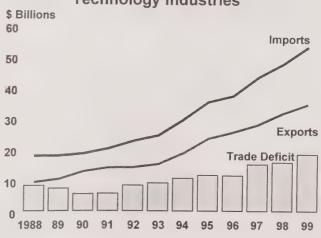
The OECD identifies the following industries as the manufacturing high-technology sector:

- · Aircraft & Parts;
- Communications Equipment;
- · Office, Store and Business Machines (Computers); and,
- Pharmaceuticals.

High-technology trade has more than tripled over the past decade...

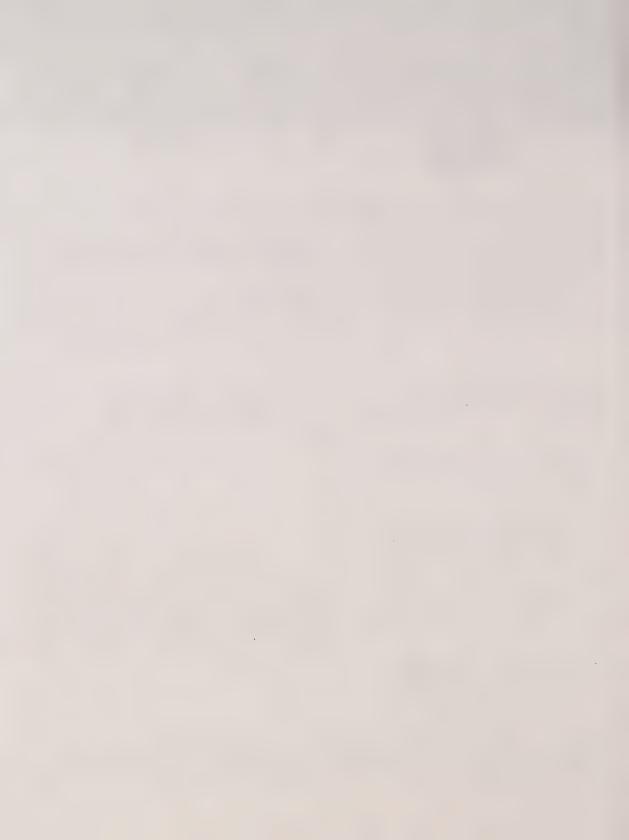
- Canadian trade by high-technology industries grew substantially over the period 1988-1999.
 - ➤ Exports grew from \$9 billion to close to \$35 billion an average annual rate of 12.6%, compared to 8.8% for all merchandise exports.
 - ► Imports grew from \$17 billion to \$54 billion an average annual rate of 10.5%, compared to 8.5% for all merchandise imports.
- ➤ As a result, the trade deficit in manufacturing high-technology industries more than doubled, from \$8 billion to \$19 billion

Canadian Trade in High-Technology Industries



Source: Statistics Canada

This special report was prepared in collaboration with Can D. Le and Vanessa Chang of the Innovation Policy Branch, Industry Canada.



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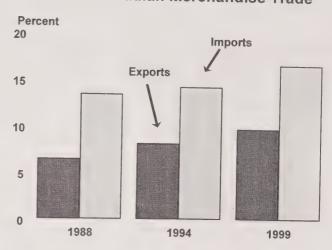
June 2000

Frade by High-Technology Industries

...increasing in importance in Canada's overall merchandise trade

- The share of high-technology products in total merchandise exports increased from 6.5% in 1988 to 9.8% in 1999.
- The share of high-technology imports also increased, from 13.5% in 1988 to 16.7% in 1999.

Share of High-Technology Industries in Total Canadian Merchandise Trade

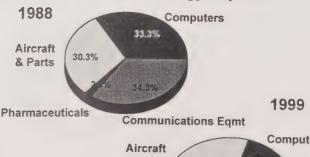


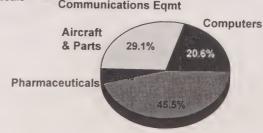
Source: Statistics Canada

The importance of Communications Equipment in Canada's exports has increased dramatically...

- Communications Equipment increased its share of high-technology exports from 34.3% in 1988 to 45.5% in 1999.
 - ► Pharmaceuticals also increased its share, rising from 2.1% to 4.7%.
- In contrast, the share of Computers declined substantially while that of Aircraft & Parts remained more or less unchanged.

Industrial Composition of High-Technology Exports





Source: Statistics Canada

Communications Eqmt



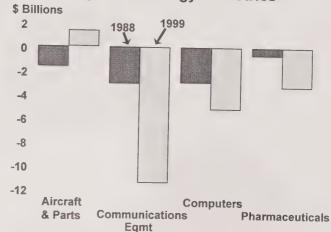
Monthly Crade Mulletin

Frade by High-Technology Industries

...but, the trade deficit in Communications Equipment has increased considerably

- At \$11.5 billion, the trade deficit in Communications Equipment far outweighs that of all other manufacturing high-technology trade — accounting for almost two-thirds of the high-technology trade deficit.
- Aircraft & Parts on the other hand, has consistently posted a trade surplus, albeit small, since 1989.

Balance of Trade in High-Technology Industries

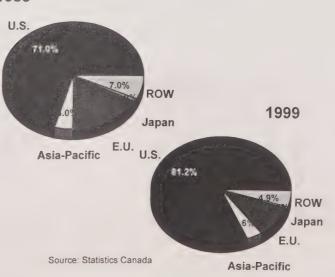


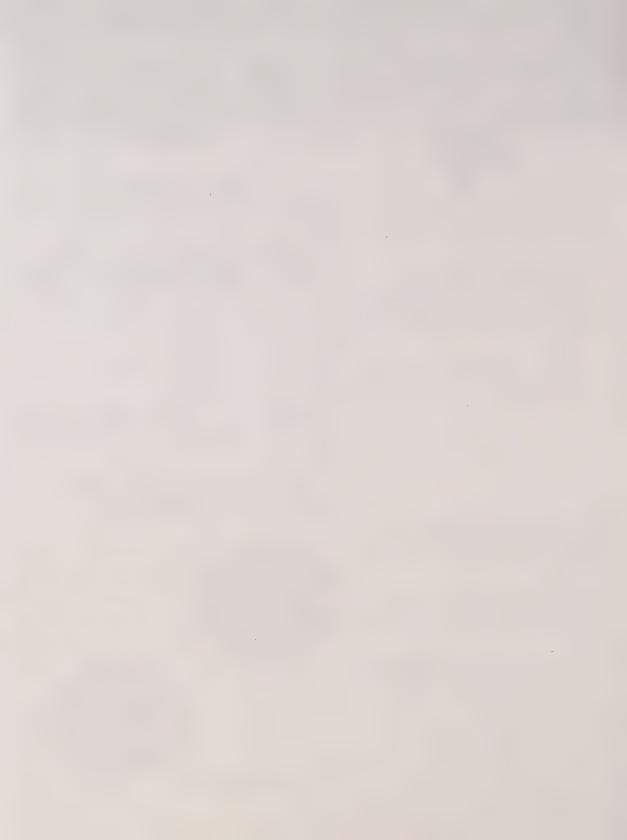
Source: Statistics Canada

More than four-fifths of manufacturing high-technology exports go to the U.S.

- In 1999, 81.2% of high-technology manufacturing exports were destined for the U.S., compared to only 71% in 1988.
- The shares of all non-U.S. destinations have declined considerably particularly the E.U., which saw its share halved.

Distribution of High-Technology Exports by Country/Region





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1999

Trade by High-Technology Industries

U.S.

8.9%

60.4%

1988

Asia-Pacific

The U.S. share of Canada's high-technology imports is falling

- In contrast to exports, the U.S. share of Canadian high-technology imports has declined
 — from 60.4% in 1988 to 51.4% in 1999.
- The shares of E.U. and Japan also fell, while the share of Asia-Pacific and the rest of the world (ROW) increased significantly.

Asia-Pacific T11.7% ROW Source: Statistics Canada E.U.

Distribution of High-Technology Imports by Country/Region

ROW

U.S.

51.4%

Japan

5.0%

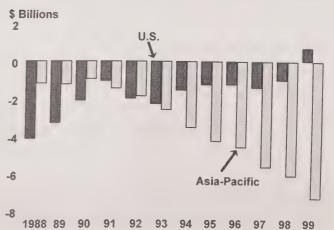
1.9%

E.U.

Canada now has a hightechnologies trade surplus with the U.S.

- Canada's trade deficit with the U.S. in high-technology products has steadily been shrinking, and in 1999, for the first time, crossed into surplus.
- At the same time, our trade deficit with Asia-Pacific has been increasing. In 1999 the deficit stood at \$7.4 billion.
 - ➤ The growth in the deficit may be attributed to U.S. firms shifting production to Asia-Pacific.

Canada's High-Technology Trade Balance



Source: Statistics Canada



Highlights

- The overall trade balance was up considerably in May, increasing by \$791 million.
- Export growth was generally strong, rising 4.6%. Imports did not perform as well, gaining only 2.4%.
- Canada's trade surplus with the U.S. hit an all-time high of \$7.5 billion in May, led by strong export growth of 4.3%. Imports remained almost unchanged.
- Export, import and commodity prices changed little in May.
- The Canadian dollar softened in May, loosing eight-tenths of a cent U.S.

Key Monthly Trade Indicators (May 2000)

		% change over				
	\$ millions	previous month	previous year			
Exports	34,298	4.6	18.4			
- Exports to U.S.	29,610	4.3	19.2			
Imports	30,550	2.4	15.3			
- Imports from U.S.	22,143	0.6	8.8			
Trade Balance*	3,748	2,957	2,465			
- Balance with U.S.*	7,467	6,381	4,489			
Commodity Prices**	110.5	1.6	17.6			
Canadian Dollar (US¢)*	66.8	67.6	67.8			
Export Prices**	118.6	0.3	3.9			
Import Prices**	112.8	2.5	1.7			

^{*} Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report: Trade Liberalization and Productivity



Produced by the Micro-Economic Policy Analysis Branch, Industry Canada by Aaron Sydor under the direction of Rick Cameron and Someshwar Rao.

Canadä

^{**} Index (1992=100)

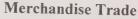


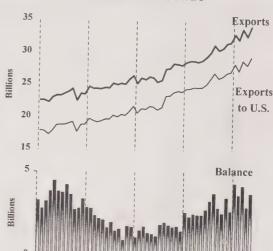
The trade balance increased considerably, bolstered by a record surplus with the U.S.

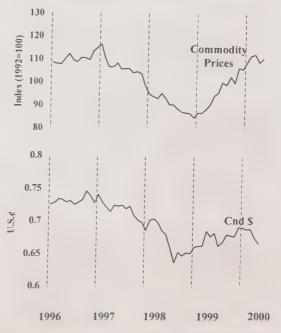
- Exports to the U.S. increased by 4.6% in May while imports rose only 0.6%. The trade surplus with the U.S. reached a record \$7.5 billion.
- The trade balance with all other major regions remained in deficit. A large increase in the trade deficit with the Asia-Pacific region (excluding Japan) somewhat offset the impact of the huge increase in the trade surplus with the U.S. on the overall trade balance.

The Canadian dollar continues to ease back

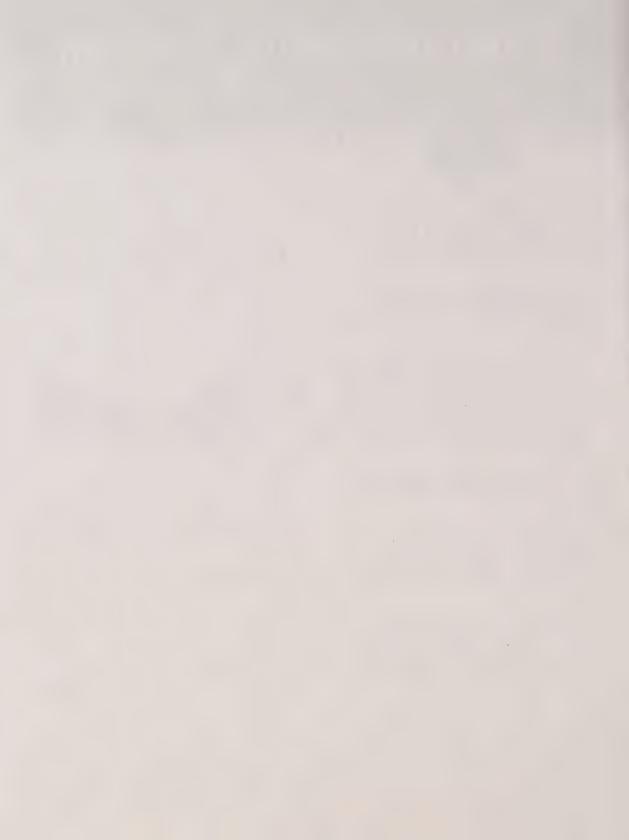
- The Canadian dollar fell for the second month in a row in May and was down
 2 1/2US¢ from its peak of 69.3US¢ at the end of 1999.
- This was despite stronger commodity prices. Although not changing significantly in May, prices were still close to their peak level in March 2000.







Source: Statistics Canada, Bank of Canada



Honthly Crade Bulletin

rade Liberalization and Productivity

International trade increased dramatically since the FTA

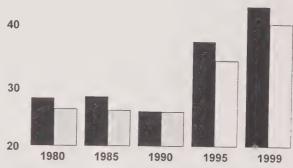
- Growth of Canadian exports and imports increased dramatically over the 1990-1999 period, following the implementation of the Canada-U.S. Free Trade Agreement (FTA) in 1989 and NAFTA in 1994.
 - ➤ The share of exports in GDP increased from 25.7% to 43.2% between 1990 and 1999. Similarly, the share of imports rose from 25.7% to 40.3%.
- In comparison, in the decade leading up to the FTA, exports and imports as a share of gross domestic product were virtually unchanged.

Manufacturing share of exports and imports increased

- Despite sharp increases in international trade in services, the manufacturing sector is the only one of the three broad sectors to increase its trade share between 1990 and 1999.
- Services accounted for a fairly stable share of exports. The share of the primary sector, on the other hand, declined during this period.

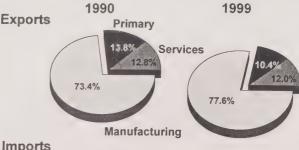
Exports and Imports as a Share of GDP

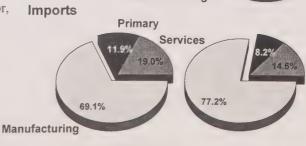




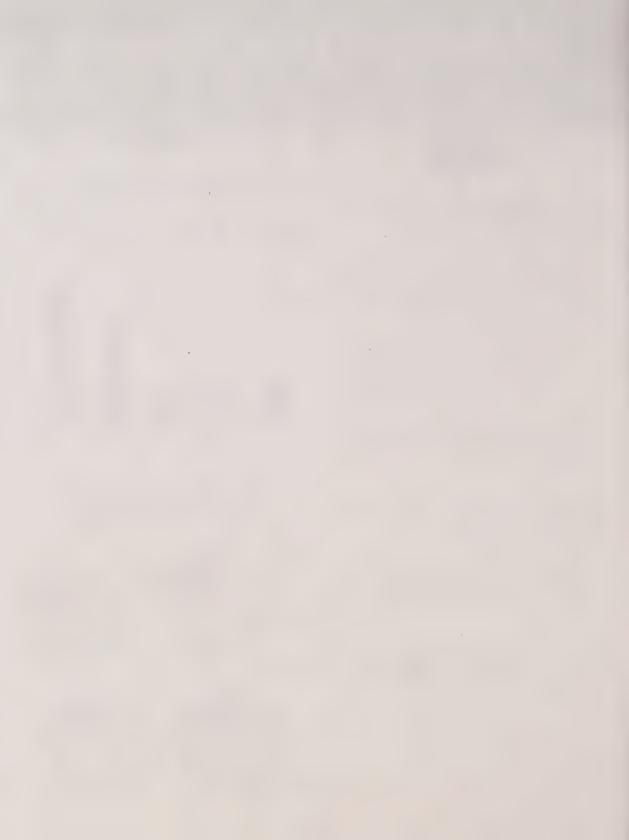
Source: Statistics Canada

Distribution of Exports and Imports by Major Sector





Source: Statistics Canada



Hoothly Trade Bulletin

Crade Liberalization and Productivity

Since the FTA, the export sector had relatively faster labour productivity growth...

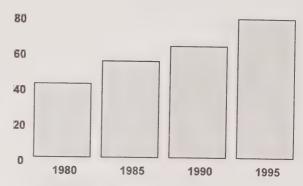
- The labour productivity level gap between the export and non-export sectors increased during the 1980-1995 period, particularly after the implementation of the FTA.[†] This could be due to increased product specialization in the export sector.
- In 1995, labour productivity was 80 % higher in the export sector than in the non-export sector, compared to only about a 40% advantage in 1980.

...and it caught up to the non-export sector in terms of capital productivity

- Similarly, capital productivity increased much faster in the export sector than in the non-export sector during the 1980-1995 period.
- In 1995, the capital productivity of the export sector was slightly higher than that of the non-export sector, compared to a nearly 30% deficit in 1980.

Labour Productivity* Advantage in Export Relative to Non-Export Sectors

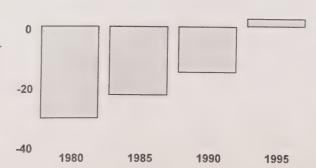
Percent 100



* Gross output in 1992 dollar per hour worked. Source: Statistics Canada

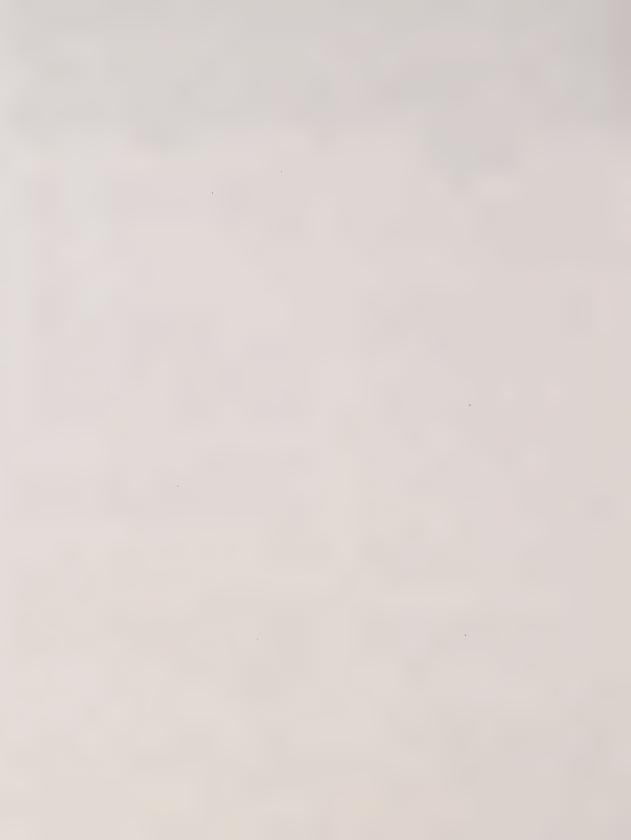
Capital Productivity* Advantage in Export Relative to Non-Export Sectors

Percent 20



* Ratio of gross output in 1992 dollars to net capital stock in 1992 dollars. Source: Statistics Canada

[†] The export sector is defined as industries either directly or directly involved in the production of exports. The non-export sector are those industries neither directly nor indirectly involved in the production of exports.



Honthly Crade Bulletin

Trade Liberalization and Productivity

The faster labour productivity growth in the export sector was not due to faster growth in capital intensity...

• In comparison to the total business sector, exports and imports were both more capital intensive (amount of capital per unit of labour) during the 1980-1995 period. However, the gap in capital intensity declined over the period.

...and not because of faster growth in skill intensity...

- There is no evidence that the composition of exports shifted towards industries with more skilled workers.
 - ➤ The share of skilled workers in the export sector increased at a rate similar to the total business sector over the 1980 to 1995 period.

...but, to other factors

• These trends imply that faster growth in labour productivity in the export sector was due to faster improvements in the efficiency of capital and labour inputs due to increased product specialization, scale economies, and better allocation and utilization of productive inputs.

Capital/Labor Ratio* in Exports and Imports

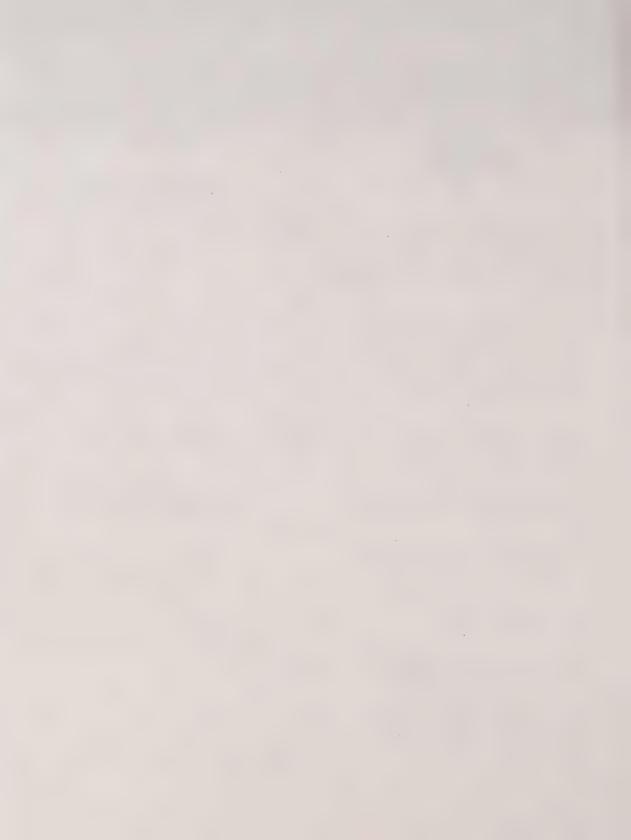


* Net capital stock in 1992 dollars per hour worked. Source: Statistics Canada

The Share of Skilled Workers* in Hours Worked



* Workers with a minimum of post-secondary education Source: Statistics Canada



Honthly Trade Bulletin

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July 2000

Frade Liberalization and Productivity

The export sector paid increasingly higher wages to workers in the post-FTA period...

- In comparison to the non-export sector, the export sector had faster growth in worker income, particularly after 1990.
 - ► Hourly wage rates were 35% higher in the export sector than in the non-export sector in 1995, compared to only 23% higher in 1980.

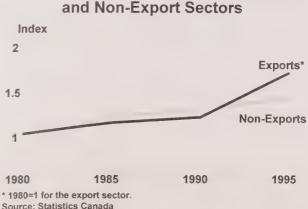
...and realized greater returns on investment than the non-export sector by 1995

- During the 1980s, return on investment was similar in both the export and non-export sectors.
- However, following trade liberalization, return on investment grew significantly faster in the export sector.
 - ➤ By 1995, return on investment was 20% higher than in the non-export sector.

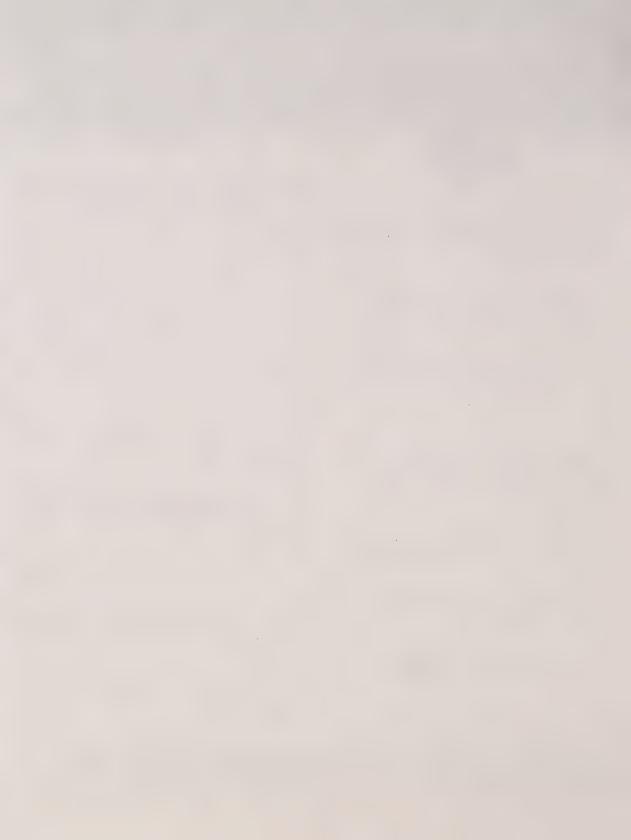
Nominal Worker Income in the Export and Non-Export Sectors



Nominal Capital Income in the Export and Non-Export Sectors



This special report was prepared in collaboration with Wulong Gu and Lori Whewell of the Micro-Economic Policy Analysis Branch, Industry Canada and is based on the paper "Trade Liberalization, Patterns of Trade and Productivity" by Wulong Gu and Lori Whewell, May 2000.



Highlights

- Stable exports and falling imports combined to boost the trade surplus by \$236 million in September.
- Exports to the U.S. grew moderately, rising 0.6%, while imports from the U.S. dipped 0.7%. As a result, Canada's trade surplus with the U.S. widened by \$400 million to reach \$7.8 billion.
- © Commodity prices were up sharply in September. However, both export and import prices were unaffected by this turn of events, actually falling 0.2% over the month.
- The Canadian dollar lost more than 2% of its value against the U.S. dollar in September, falling by almost a cent and a half U.S.

Key Monthly Trade Indicators (September 2000)

	\$	% chan	ge over
	millions	previous month	previous year
Exports	34,948	0.1	15.6
- Exports to U.S.	30,183	0.6	15.6
Imports	30,649	-0.7	12.2
- Imports from U.S.	22,372	-0.7	7.9
Trade Balance*	4,299	4,063	3,744
- Balance with U.S.*	7,811	7,405	6,106
Commodity Prices**	115.7	3.7	13.5
Canadian Dollar (US¢)*	66.5	68.0	68.1
Export Prices**	120.2	-0.2	2.9
Import Prices**	108.8	-0.2	-2.3

Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report: The Changing Nature of Atlantic Canada's Trade

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.



Department of Foreign Affairs and International Trade

Ministère des Affaires étrangères et du Commerce international



Industry Canada Industrie Canada

^{**} Index (1992=100)

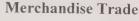


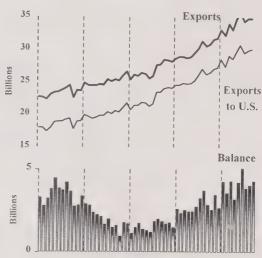
The trade surplus remains high

- September's trade surplus is the fourth largest over the past five years, largely due to the \$7.8 billion surplus with the U.S. recorded over the month.
- The trade balance with all other major regions remains in deficit. Our deficit with Japan narrowed by \$66 million in September, while that with the European Union widened a further \$10 million.

The Canadian dollar stumbles

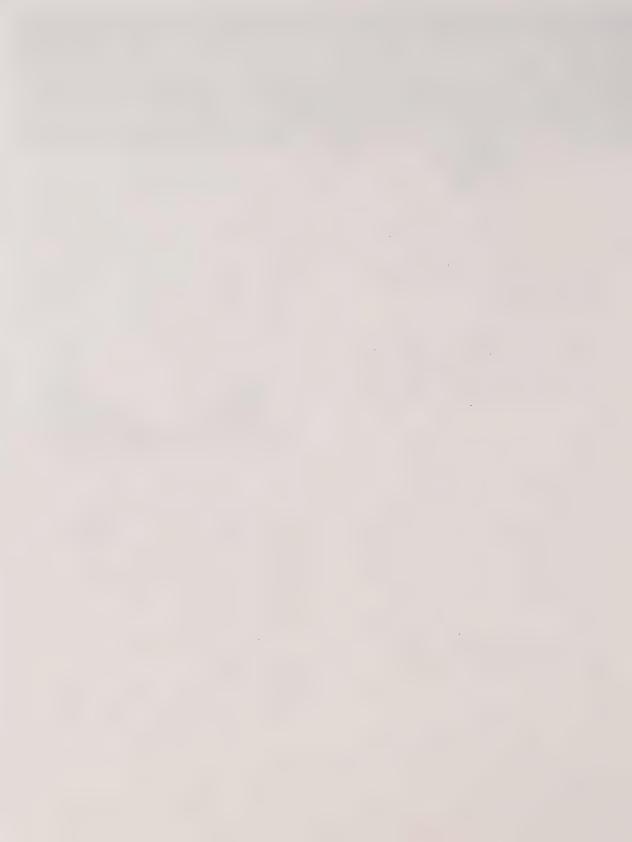
- The Canadian dollar fell to its lowest level of the year, losing almost 1.5US¢ in value over September. Nonetheless, at 66.5US¢ in September, it is still much higher than its low of 63.8US¢ recorded in August 1998.
- Falling export prices and the strength of the U.S. dollar vis-à-vis all other currencies have not helped our currency's performance.







Source: Statistics Canada, Bank of Canada



2. Number

October 2000

tlanfic Ganada

The Atlantic Provinces are exporting more of their output internationally, but the export gap with the rest of Canada is widening

• The export orientation (ratio of exports to GDP) of all the Atlantic Provinces has increased significantly in the 1990s.

• But, their export orientation is significantly lower than the rest of Canada and the gap has widened in all the Atlantic provinces, save P.E.L.

• The Atlantic provinces appear to be converging among themselves in their export to GDP ratio.

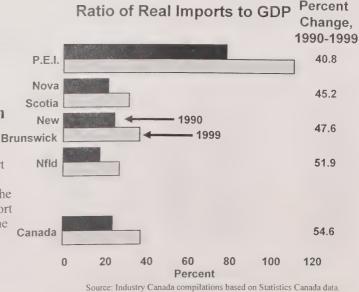
Ratio of Real Exports to GDP Percent Change, 1990-199 P.E.I. 104.7 Nova 1990 54.7 Scotia New 39.1 Nfld 37.1

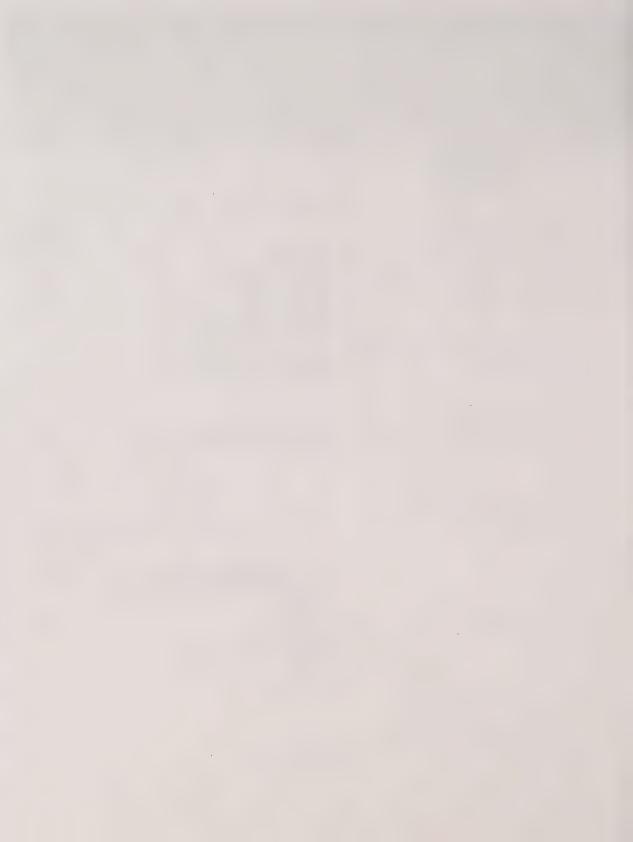
Canada 68.3 0 10 20 30 40 50 Percent

Source: Industry Canada compilations based on Statistics Canada data

The same is also true for imports, with the exception of P.E.I.

• The Atlantic provinces also import less as a share of GDP (with the exception of P.E.I.) compared to the rest of Canada. However, the import gap is significantly smaller than the export gap.





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hanging Nature of Atlantic Ganada's Trade

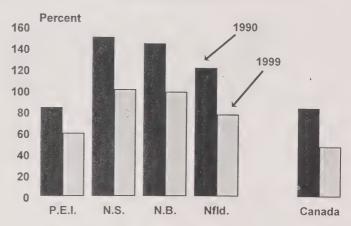
On the other hand, the Atlantic provinces engage in much more inter-provincial trade than does the rest of Canada...

- The ratio of inter-provincial exports to international exports is twice as high in the Atlantic Provinces as the national average.
 - Nova Scotia has the highest ratio of inter-provincial exports to international exports, with approximately \$1 in trade with other provinces for every \$1 traded internationally double the national average.
- Like the rest of Canada, the Atlantic Provinces have experienced a decline in the relative importance of interprovincial trade in the 1990s.

...and less of Atlantic Canada's international exports are destined to the U.S.

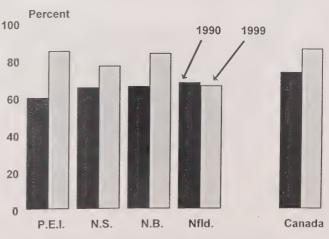
- Nearly 87% of Canada's exports go to the U.S. compared to a little over 78% for Atlantic Canada. But Atlantic Canada's trade linkages with the U.S. have also strengthened in the 1990s.
 - Newfoundland is the only province in Canada that has seen a decrease in export reliance on the U.S. market. This is largely due to a greater share of oil exports going to Europe.

Ratio of Inter-Provincial Trade to International Trade

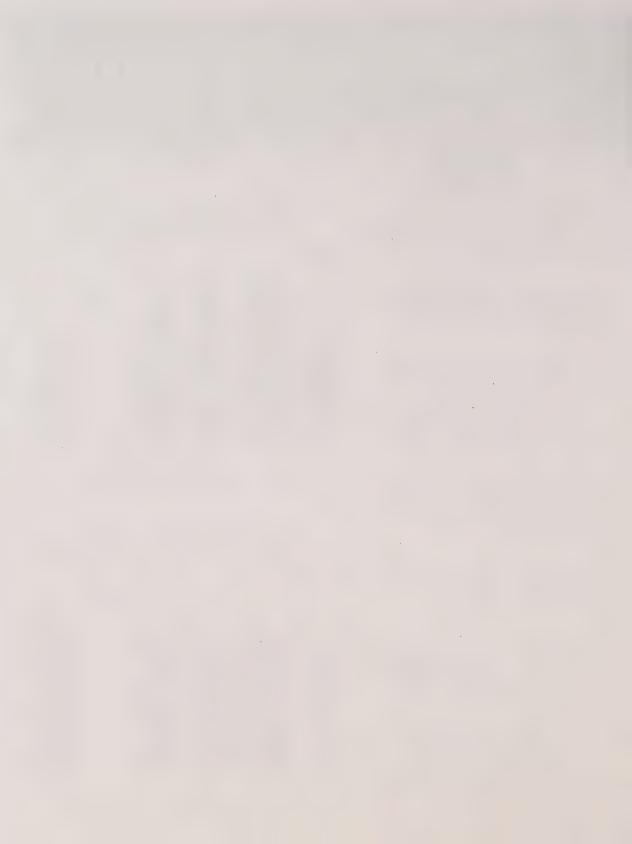


Source: Industry Canada compilations based on Statistics Canada data.

Share of Exports Going to the U.S.



Source: Industry Canada compilations based on Statistics Canada data.



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Changing Nature of Atlantic Canada's Trade

Atlantic Canada's Export Share by State

Atlantic Canada's exports to the U.S. are highly concentrated in the East...

- Only two states in the Southwestern U.S. Texas and California account for any significant portion of Atlantic Canada's exports (greater than 1%). That is largely due to their sheer size.
- In fact, five sates account for more than 50% of Atlantic Canada's exports to the U.S.



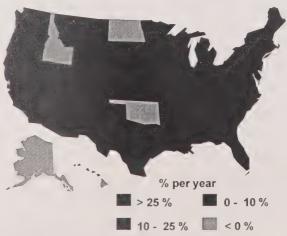
Source: Industry Canada compilations based on Statistics Canada data.

State	Share, 1999	
Massachusetts	20.7	
Maine	14.6	
South Carolina	6.4	
Texas	5.4	
New Jersey	5.2	
TOP-5	52.3	

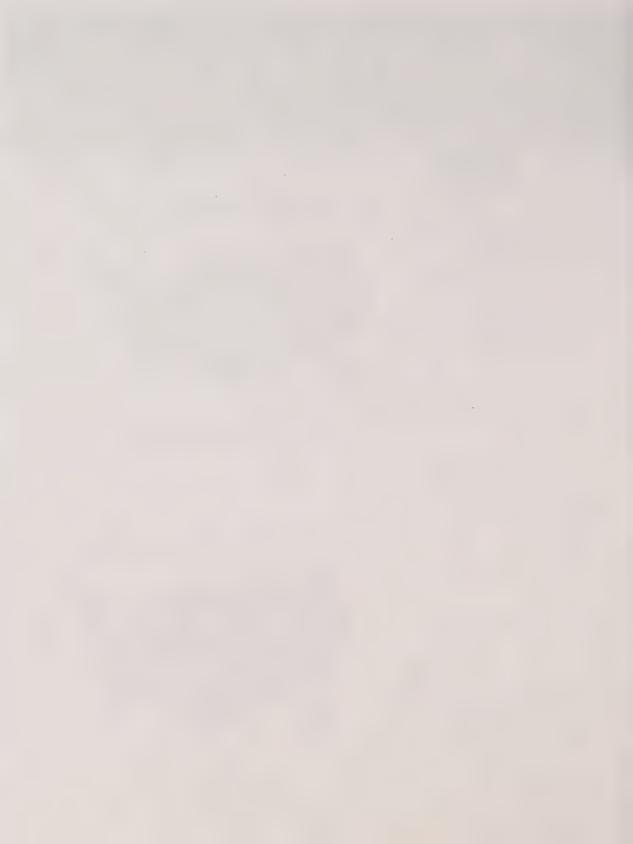
...but export growth is fastest in the South and West

 Atlantic Canada's exports to the U.S. are beginning to diversify as the South and West are demonstrating particularly strong growth.

Atlantic Canada's Export Growth by State



Source: Industry Canada compilations based on Statistics Canada data.



The exports of all the Atlantic Provinces are becoming more diversified within the U.S.

- Exports of all the Atlantic Provinces are highly concentrated, with only five states accounting for more than 50% of exports in each province and as high as 70% in Newfoundland.
- In all four Atlantic Provinces, however, there has also been a significant reduction in the average share of the top-5 U.S. states.

New Brunswick Top-5 U.S. Destinations for Exports

State	Share, 1999	Change, 1990-99	
Maine	25.1	-11	
Massachusetts	17.9	0.9	
Texas	5.8	2.4	
New York	5.5	-3.3	
Pennsylvania	4.5	1.2	
TOP-5	58.8	-9.8	

P.E.I.
Top-5 U.S. Destinations for Exports

101 = 110111			
State	Share, 1999	Change, 1990-99	
Massachusetts	27	-8.2	
Maine	10.2	-7	
New Jersey	9.5	3.9	
Florida	7.6	4.5	
Pennsylvania	6.6	2.3	
TOP-5	60.9	-4.5	

Nova Scotia Top-5 U.S. Destinations for Exports

State	Share, 1999	Change, 1990-99
South Carolina	21.2	-7.6
Massachusetts	17.5	-5.2
Georgia	7.1	6.4
New York	6.3	-1.3
Pennsylvania	4.6	-6.8
TOP-5	56.7	-14.5

Newfoundland Top-5 U.S. Destinations for Exports

State	Share, 1999	Change, 1990-99	
Massachusetts	31.2	-36	
New Jersey	15.1	12.9	
Texas	10.1	6.9	
Virginia	8.2	6.4	
Pennsylvania	6.1	3.1	
TOP-5	70.7	-6.7	

Source: Industry Canada compilations based on Statistics Canada data.



Monthly Trade Bulletin

Number 8

October 2000

hanging Nature of Atlantic Ganada's Trade

Resource and resourcebased manufacturing still account for nearly 85% of Atlantic Canada's exports...

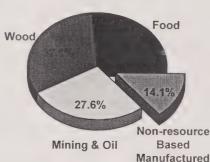
• Although all Atlantic Provinces continue to be extremely dependent on resource and resource-based exports, their importance is on the decline.

 Non-resource-based manufactured products' share of exports from Atlantic Canada increased from 10.1% in 1990 to 14.1% in 1999, a 40% increase. Atlantic Canada Exports by Product Type



Mining & Oil

1990

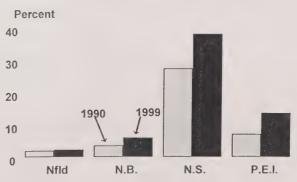


Products

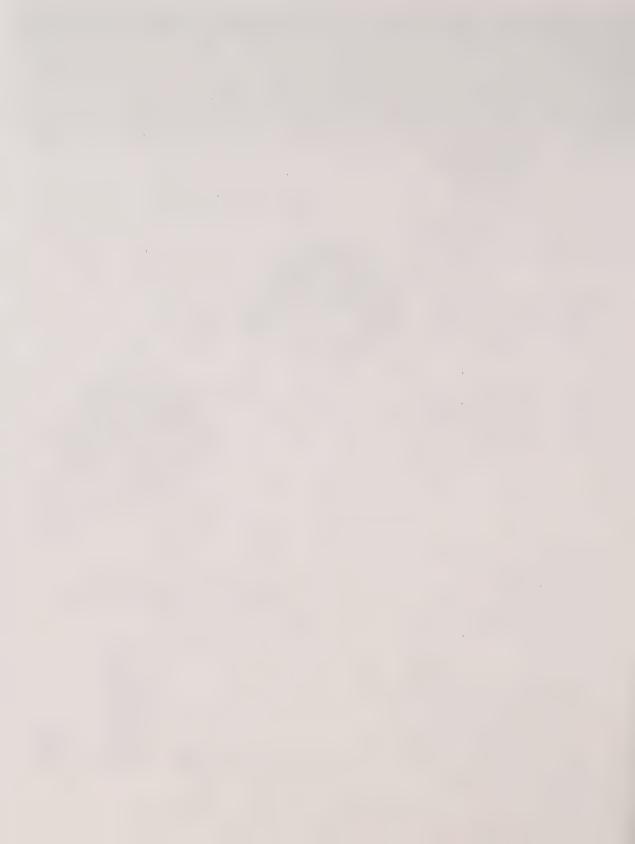
...but the importance of non-resource-based manufactured exports increased significantly in all four Atlantic Provinces in the 1990s

 Nova Scotia dominates Atlantic Canada's exports of non-resourcebased manufactured products, accounting for nearly 78% of the total. At the other end, Newfoundland has very few nonresource based manufactured exports.

Non-Resource Based Manufactured* Exports Share



*excludes resource-based manufacturing exports



Highlights

- October's trade surplus was virtually unchanged at \$4.6 billion as both exports and imports grew marginally.
- Exports to the U.S. grew moderately, rising 0.8%, while imports from the U.S. were unchanged. As a result, Canada's trade surplus with the U.S. increased by \$225 million to reach a near-record \$8.1 billion.
- Falling commodity prices and resultant deteriorating terms of trade have put downward pressure on the dollar, which fell a further eight-tenths of a U.S. cent in October.

Key Monthly Trade Indicators (October 2000)

	% change over		
	\$ millions		
		previous	previous
		month	year
Exports	35,090	0.1	13.5
- Exports to U.S.	30,516	0.8	14.8
Imports	30,529	0.1	7.7
- Imports from U.S.	22,387	0.0	4.8
Trade Balance*	4,561	4.562	2,563
- Balance with U.S.*	8,128	7,904	5,203
Commodity Prices**	113.6	-1.8	14.5
Canadian Dollar (US¢)*	65.7	66.5	68.0
Export Prices***	120.9	0.6	3.3
Import Prices***	110.6	1.6	-0.2

^{*} Data in levels only.

Source: Industry Canada compilations based on Statistics Canada data.

This Month's Feature Report: Is Mexico becoming a North American Tiger? The Battle for the U.S. Market

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.



Department of Foreign Affairs and International Trade

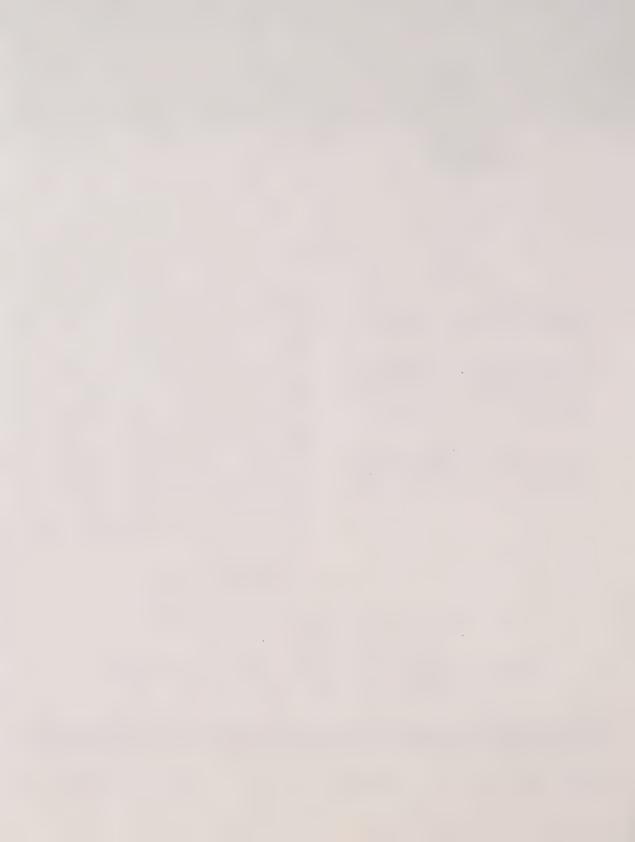
Ministère des Affaires étrangères et du Commerce international



Industry Canada Industrie Canada

^{**} Index (1982-90 = 100)

^{***} Index 1992 = 100

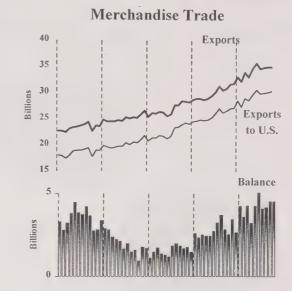


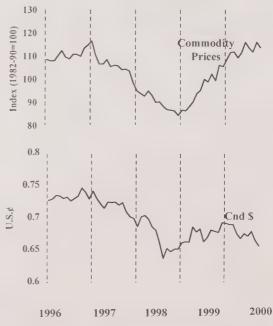
The trade surplus remains unchanged

- October's trade surplus is virtually unchanged from a month earlier and remains large, for the most part due to the \$8.1 billion surplus with the U.S. recorded over the month.
- The trade balance with all other major regions remains in deficit. Our deficit with the European Union widened by \$330 million in October, while that with Japan widened by \$35 million.

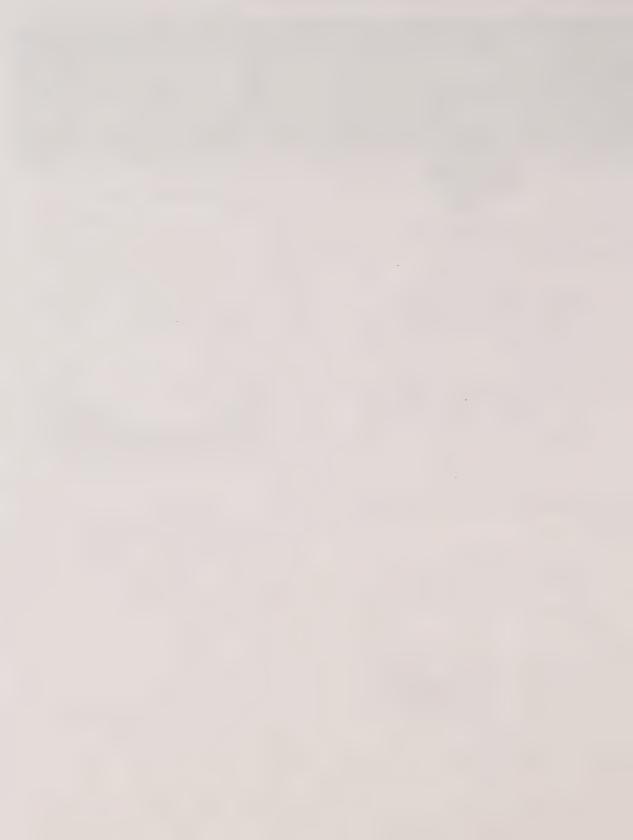
The Canadian dollar continues to fall

- The Canadian dollar fell for the second month in a row, down 0.8 US¢ over the month. The dollar has lost more than two and a quarter US¢ in value over the past two months.
- Weakening commodity prices and declining terms of trade (i.e., the ratio of export prices to import prices) in combination with the strength of the U.S. dollar vis-à-vis all other currencies have militated against our currency's performance.





Source: Statistics Canada, Bank of Canada



Monthly Crade Pulletin

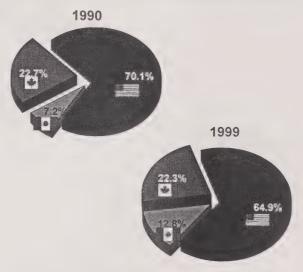
The Battle for the U.S. Market

Mexico is a growing force in North American economic space...

- The North American economic space is no longer just a Canada/U.S. one.
 Mexico is a growing force in North America and a growing competitor for U.S. attention.
- Mexico's share of North American exports nearly doubled over the 1990s, from just over 7% to nearly 13%.

Distribution of North American Exports

November 2000



Source: Industry Canada compilations based on data from the WTO

...as its trade increased nearly five-fold over the 1990s, mostly with the U.S.

- Mexico's exports and imports both increased five-fold over the 1990s.
 - Exports increased from US\$27 billion to US\$137 billion in 1999.
- The implementation of NAFTA partly contributed to this growth.

Mexico's Exports* \$US billions 160 **NAFTA** Total **Exports** 140 120 **Exports** 100 to U.S. 80 60 40 20 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999

* Merchandise Trade Source: Industry Canada compilations based on IMF data and USITC.



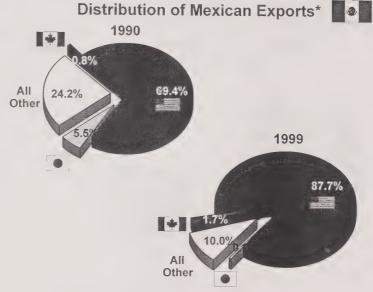
Henthly Crade Bulletin Volume Number 9 The Battle for the U.S. Market

Nearly 90% of Mexico's exports now go to the U.S.

- The distribution of Mexican trade is very similar to that of Canada. Mexico also depends very heavily on the U.S. market for exports, with more than 85% of Mexican exports going to the U.S. This is up from 69% in 1990.
 - Canada is the second most important destination country for Mexican exports.

And high-technology industries contribute to a greater share of Mexican exports than they do for Canada

- High-technology industries account for 19.3% of Mexico's exports compared to only 15.5% of Canada's exports.
 - However, the skill content of Canadian exports is expected to be significantly higher than Mexican exports.



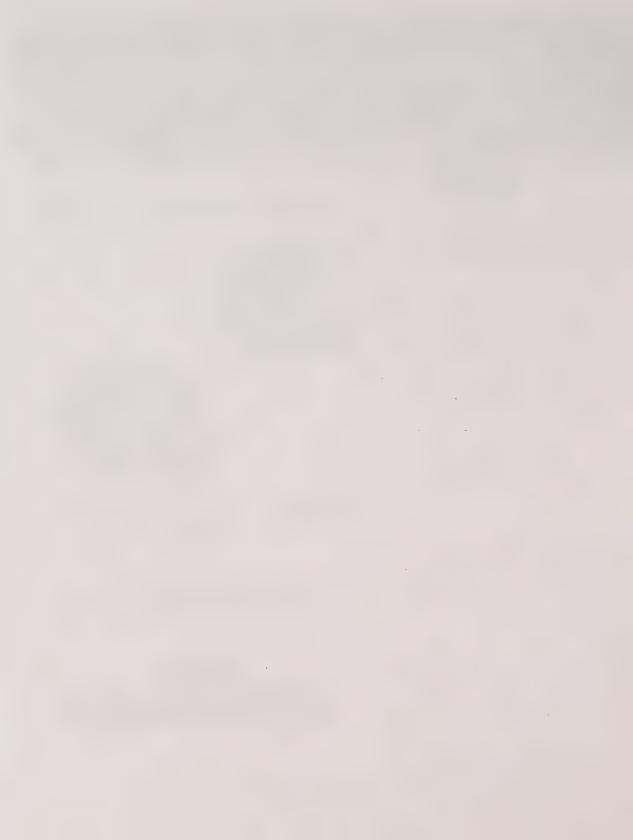
* Merchandise only

Source: Industry Canada compilations based on data from the World Trade Atlas and IMF direction of Trade Statistics.

High-Technology Exports* Percent of Manufactured Exports, 1998



* Based on OECD definition of high-technology Source: UNESCO



Monthly Trade Bulletin

November 2000

The Battle for the U.S. Market

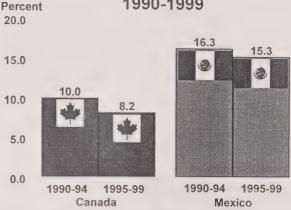
Mexico's export growth to the U.S. significantly outpaced that of Canada...

- Mexico's exports to the U.S. grew at an average annual rate of 15.6% in the 1990s.
- By comparison, Canada's exports to the U.S. during this period, grew at an annual average rate of 9.0%.

...as a result, Mexico's share of U.S. imports almost doubled while Canada's more or less remained constant

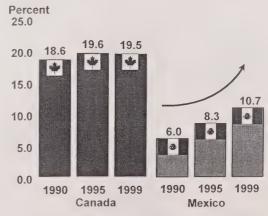
 Canada's share of U.S. imports has remained just under 20%, while Mexico's share has increased from 6.0 percent in 1990 to 10.7 percent in 1999.

Annual Average Growth in Exports to the U.S. 1990-1999



Source: Industry Canada compilations based on data from the U.S. International Trade Commission.

Share of U.S. Imports



Source: Industry Canada compilations based on data from the U.S. International Trade Commission.



November 2000

Resource &

Resource

Based

7.5

1999

12.2

2.5

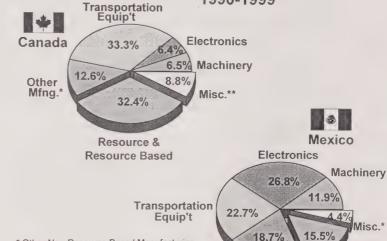
Canada and Mexico are competing in the U.S. in similar products...

• Three industries, Transportation Equipment, Electronics and Machinery, accounted for more than 60% of Mexico's export growth to the U.S. in the 1990s. These same three industries contributed 45% of Canada's export growth to the U.S.

...and Mexico is performing well

• In all three industries Mexico increased its market share significantly.

Industrial Contribution to Growth in Exports to the U.S. 1990-1999



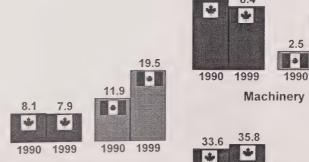
* Other Non-Resource Based Manufacturing **Misc. includes unclassified transactions

and re-exports

Source: Industry Canada compilations based on data from the U.S. International Trade Commission.

Share of U.S. Imports 9.3

Other Manufacturing*



Source: Industry Canada compilations

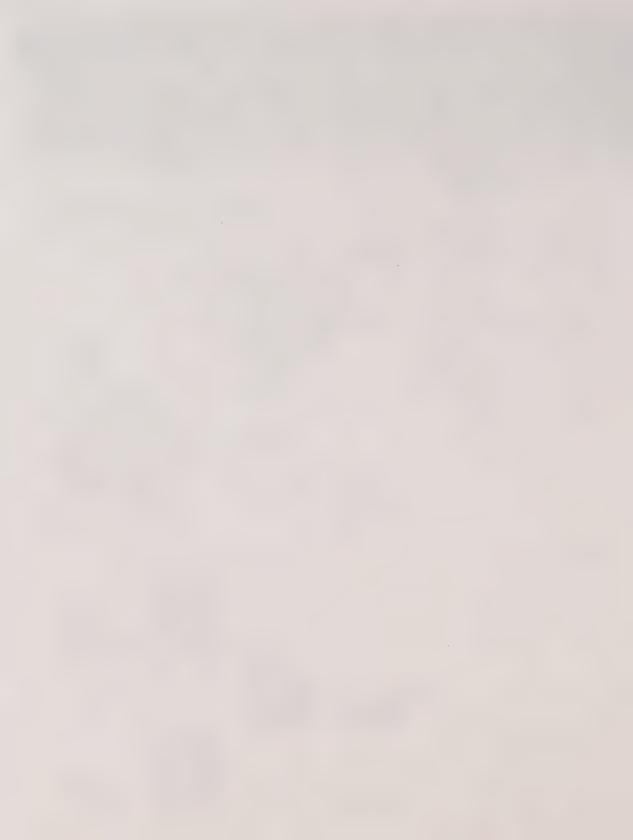
based on data from the U.S. International Trade Commission.

Transportation Equipment

1990

1990 1999

Electronics

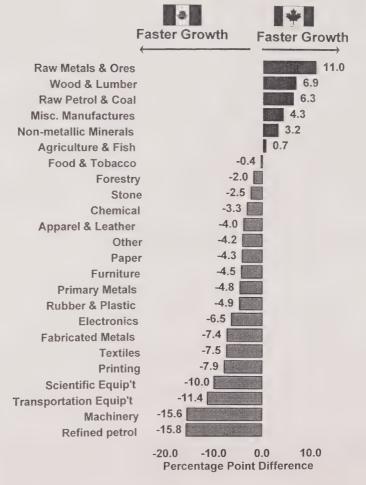


The Battle for the U.S. Market

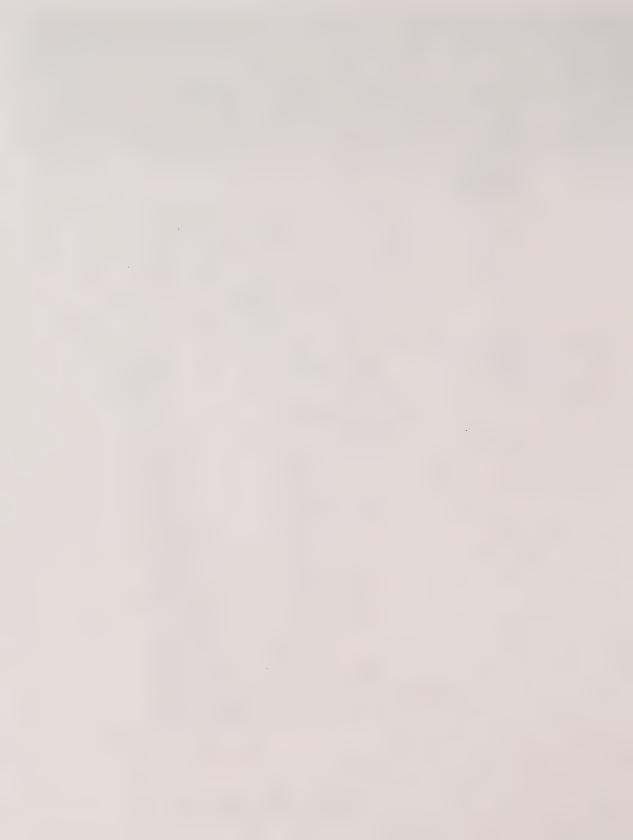
Difference in Annual Average Growth in Exports to the U.S. 1990-1999

Canada's exports to the U.S. grew faster in resource-based industries

- Canadian export growth outpaced Mexican export growth to the U.S. in only 6 out of 24 industries.
 - Five of these are resource-based industries.



Source: Industry Canada compilations based on data from the U.S. International Trade Commission.



Highlights

- Imports grew at almost three times the pace of exports in November, leading to a decline in Canada's trade balance with the world.
- However, exports to the U.S. continue to outpace imports from the U.S., resulting in a widening of Canada's trade surplus with the U.S. to a record \$8.5 billion.
- Notwithstanding the rising commodity prices and improving terms of trade, the dollar fell a further six-tenths of a U.S. cent in November.

		% change over	
	\$ millions	previous month	previous year
Exports	35,546	0.8	12.2
- Exports to U.S.	31,064	1.7	14.7
Imports	31,056	2.2	10.1
- Imports from U.S.	22,525	0.5	6.4
Trade Balance*	4,490	4,851	3,476
- Balance with U.S.*	8,539	8,148	5,902
Commodity Prices**	115.5	0.5	9.2
Canadian Dollar (US¢)*	65.1	65.7	67.8
Export Prices***	124.6	3.3	6.5
Import Prices***	111.0	0.4	2.0

- * Data in levels only.
- ** Index (1982-90 = 100)
- *** Index 1992 = 100

Source: Industry Canada compilations based on Statistics Canada data

This Month's Feature Report: Is B.C. Still Suffering From the Asian Flu?

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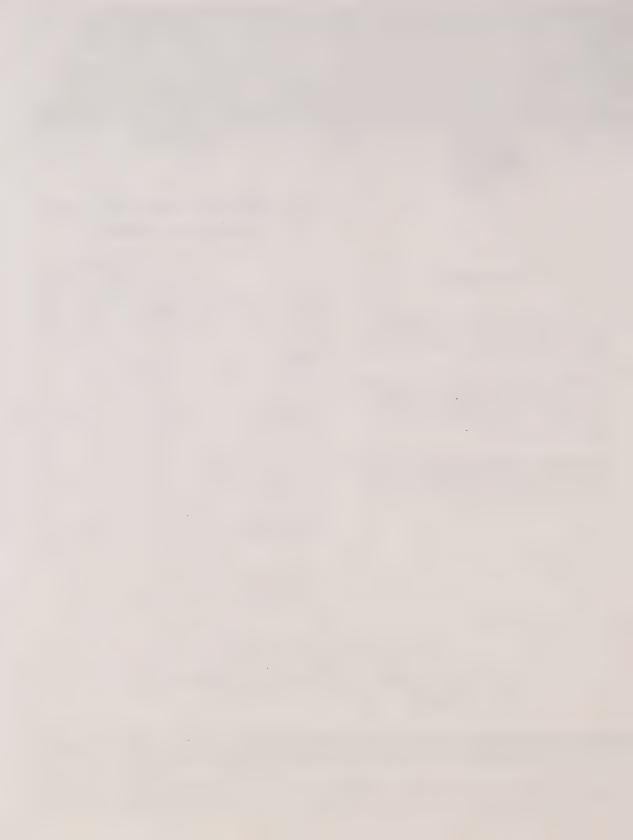


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Industry Canada Industrie Canada



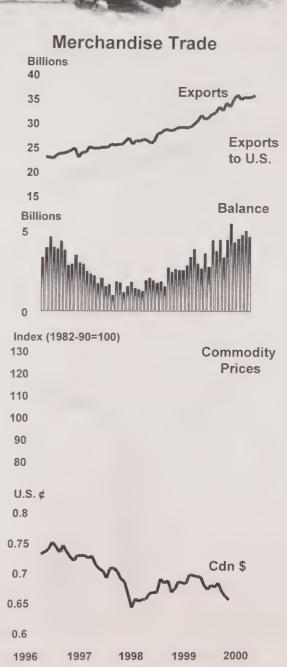
Horthly Crade Bulletin

The trade surplus narrows

- November's trade surplus fell to \$4.5 billion, as imports increased faster than exports over the month. On the other hand, the surplus with the U.S. widened to a record \$8.5 billion.
- The trade balance with all other major regions remains in deficit. Our deficit with the European Union widened by \$250 million to \$1.5 billion in November, while that with Japan narrowed by \$81 million to a deficit of \$69 million.

The Canadian dollar continues to fall

- The Canadian dollar fell for the third consecutive month, down 0.6 U.S.¢ over the month. The dollar has lost almost 2.9 U.S.¢ in value over the last three months.
- Rising commodity prices and improving terms of trade (i.e., the ratio of export prices to import prices) have not been enough to counterbalance the continued strength of the U.S. dollar with respect to our currency's performance.



Source: Statistics Canada, Bank of Canada



Aldorthly Crade Mulletin

December 2000

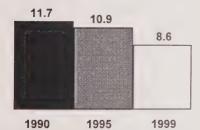
99

B.C. Still Saftering from the Asian Flu?

Since 1995, British Columbia's export performance has lagged the rest of Canada's

• Since 1995, the value of B.C.'s exports increased only 5%, compared to 33% for the rest of Canada.

B.C.'s Share of Canadian Exports

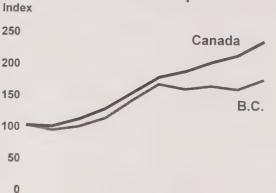


Source: Industry Canada compilations based on Statistics Canada data

As a result, B.C.'s share of Canadian exports has fallen considerably

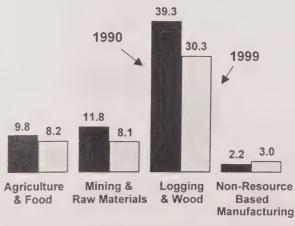
- B.C.'s share of of Canadian exports has fallen 3.1 percentage points to 8.6% in 1999.
- B.C. has lost share in every resource-based industry.
 - ➤ Its share of Logging and Wood Industries declined from 39.3% in 1990 to 30.3% in 1999.

Growth of Exports



Source: Industry Canada compilations based on Statistics Canada data

B.C.'s Share of Canadian Exports by Major Sector





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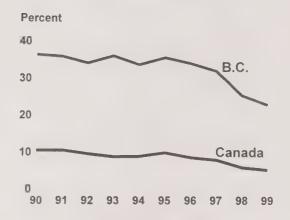
December 2000

s B.C. Still Saffering from the Asian Flu?

B.C. was more affected by the "Asian Flu" than the rest of Canada

- The share of B.C.'s exports going to the Asia-Pacific region is still more than four times the Canadian average.
- B.C.'s exports to Asia-Pacific actually declined at an average annual rate of 8.9% between 1995 and 1999, compared to 6.8% annual growth during the 1990-1994 period.

Share of Exports Going to Asia-Pacific



Source: Industry Canada compilations based on Statistics Canada data

Asia-Pacific includes:

Japan

China

Hong Kong

Singapore

Taiwan

S. Korea

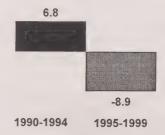
Thailand

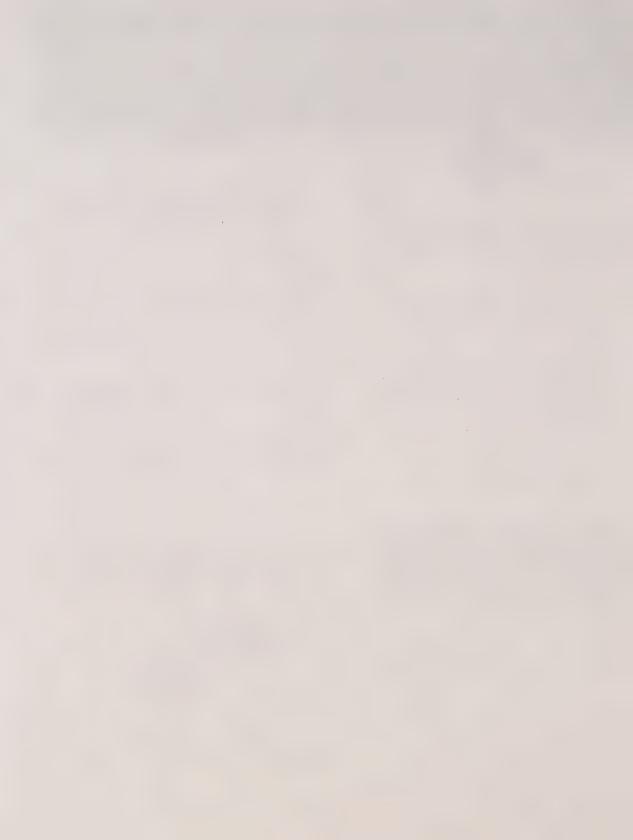
Philippines

Indonesia

Papua New Guinea

Average Annual Growth of B.C.'s Exports to Asia-Pacific



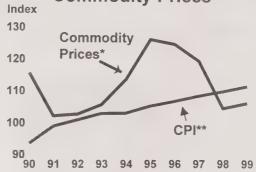


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The drop in commodity prices also had a much greater impact on B.C.

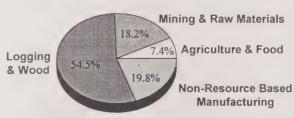
- After increasing for most of the early 1990s, commodity prices peaked in 1995 and then proceeded to dive 25% over the next four years, before showing some signs of improvement again in 1999.
- Over 80% of British Columbia's exports are resource-based; this compares to a Canadian average of just over 42%. As a result, the dramatic drop in commodity prices witnessed in the second half of the 1990s had a much more severe impact on B.C.'s export performance.
 - ➤ The share of resource-based industries in B.C.'s total exports witnessed a similar decline, also falling 10 percentage points, but from 90% in 1990 to 80% in 1999.
 - ▶ In 1999, resource-based industries accounted for 42% of Canadian exports, down from 52% in 1990 - a drop of 10 percentage points.

Commodity Prices



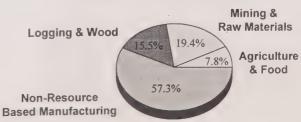
* Excluding energy, 1982-90=100
** Consumer Price Index excluding food and energy, 1992=100
Source: Industry Canada compilations based on Statistics Canada data

Distribution of B.C.'s Exports by Industry, 1999



Source: Industry Canada compilations based on Statistics Canada data

Distribution of Canada's Exports by Industry, 1999





Monthly Trade Mulletin

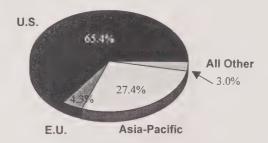
B.C. Still Suffering from the Asian Flu?

B.C.'s share of Canadian Agriculture & Food exports to every region declined

- Agricultural exports account for 7.4% of B.C.'s exports. Almost two-thirds of these go to the U.S. where growth has been strong. Another 27% goes to Asia-Pacific where growth has been almost non existent.
- B.C.'s share of Canadian Agriculture & Food exports to all major regions has declined.
 - ➤ The largest decline occurred in the E.U. where B.C.'s share of Canadian Agriculture & Food exports dropped from 15.4% in 1990 to only 5.5% in 1999.
 - ➤ The Prairie provinces and to a lesser extent Ontario increased their share of Agriculture & Food exports to Europe over this period.

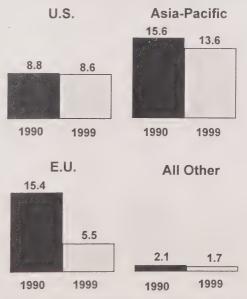
B.C.'s Agriculture & Food Exports Destination, 1999

2000



Source: Industry Canada compilations based on Statistics Canada data

B.C.'s Share of Canadian Agriculture & Food Exports





Annual Number 10

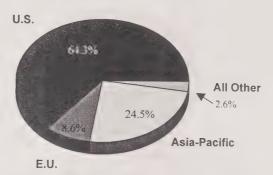
December 2000

B.C. Still Suffering from the Asian Flu?

B.C.'s share of Canadian exports of Logging & Wood also declined in every region

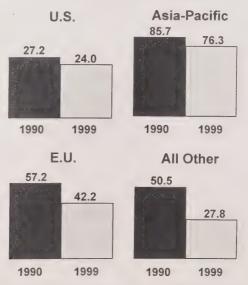
- The distribution of B.C.'s Logging & Wood exports is similar to that of the other resource-based industries, with about two-thirds going to the U.S. and Asia-Pacific accounting for another quarter of exports.
- British Columbia's share of Canadian Logging & Wood exports also declined significantly to all regions.
 - ► In 1990, for example, B.C. accounted for 85.7% Canadian exports to Asia-Pacific, by 1999 this had fallen to 76.3%.
 - ➤ Similar declines were witnessed in every region.

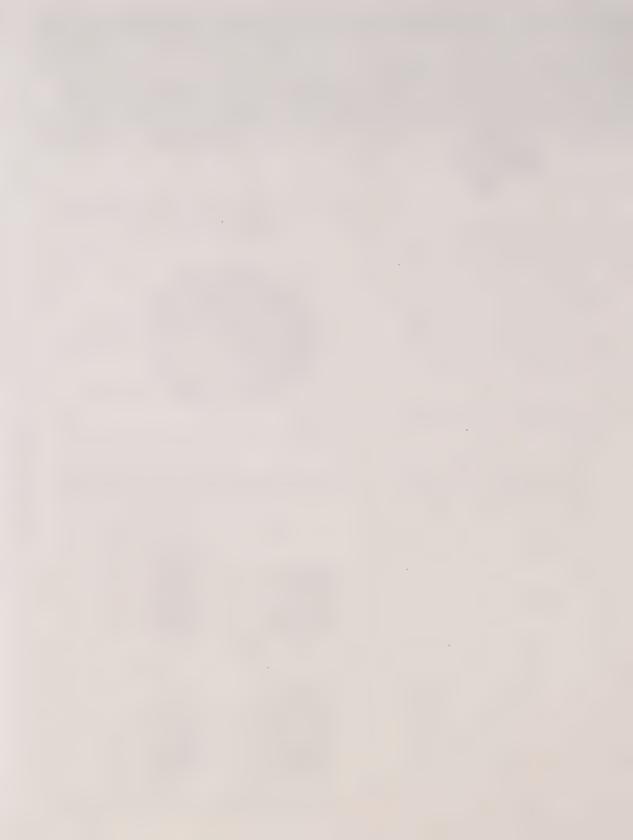
B.C.'s Logging & Wood Exports Destination, 1999



Source: Industry Canada compilations based on Statistics Canada data

B.C.'s Share of Canadian Logging & Wood Exports





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S.B.C. Still Suffering from the Asian Flu?

But, B.C. managed to increase its share of Canadian Mining & Raw Material exports to the U.S.

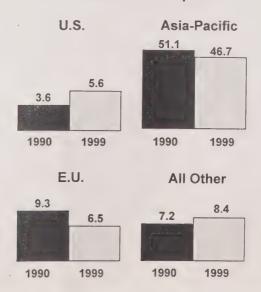
- B.C.'s share of Canadian Mining & Raw Material exports to the U.S. increased somewhat, from 3.6% in 1990 to 5.6% in 1999. This was more than offset by B.C.'s declining share in Asia-Pacific & the E.U., which dropped from 51.1% to 46.8% and from 9.3% to 6.5% respectively.
 - ➤ As a result, B.C.'s share of Canadian Mining & Raw Material exports declined from 11.8% to 8.1% over the same period.

B.C.'s Mining & Raw Material Exports Destination, 1999



Source: Industry Canada compilations based on Statistics Canada data

B.C.'s Share of Canadian Mining & Raw Material Exports





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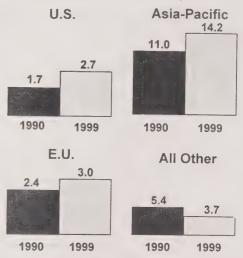
December 2000

S.C. Still Suffering from the Asian Flu?

British Columbia is doing well in non-resource-based manufacturing industries

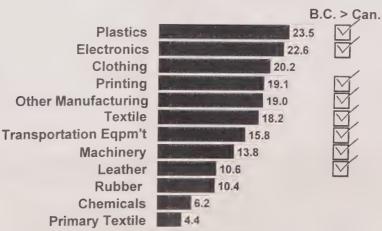
- Unlike resource-based industries, B.C. increased its share of Canadian exports of non-Resource-Based Manufacturing industries from 2.2% in 1990 to 3.0% in 1999 and in three out of four regions.
- B.C.'s export growth outpaced the Canadian average in 8 out of the 12 non-resource-based manufacturing industries. And, these exports greatly outpaced growth in B.C.'s resource-exports.
- This may indicate that B.C. is becoming more competitive in these industries.

B.C.'s Share of Canadian Non-Resource-Based Manufacturing Exports



Source: Industry Canada compilations based on Statistics Canada data

B.C.'s Export Growth in Non-Resource-Based Manufacturing Industries, 1990 - 1999





Highlights

- Rising exports and falling imports in December led to a widening in Canada's trade surplus with the world.
- Similarly, exports to the U.S. continue to outpace imports from the U.S., as Canada's trade surplus with the U.S. increased to a record \$9.2 billion for the month.
- The dollar recovered some of the ground lost over the past three months, largely on the strength of improving terms of trade.

Key Monthly Trade Indicators (December 2000)

(2000)				
	\$ millions	% change over		
		previous	previous	
		month	year	
Exports	36,849	3.7	15.7	
- Exports to U.S.	31,876	2.9	17.0	
Imports	31,001	-0.4	6.3	
- Imports from U.S.	22,631	-0.2	3.3	
Trade Balance*	5,848	4,412	2,697	
- Balance with U.S.*	9,244	8,307	5,342	
Commodity Prices**	113.1	-3.5	7.4	
Canadian Dollar (US¢)*	66.7	65.1	69.3	
Export Prices***	128.0	3.1	9.7	
Import Prices***	107.8	-5.4	-0.3	

^{*} Data in levels only.

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Trade Performance in 2000

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada

^{**} Index (1982-90 = 100)

^{***} Index 1992 = 100

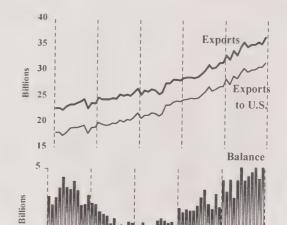


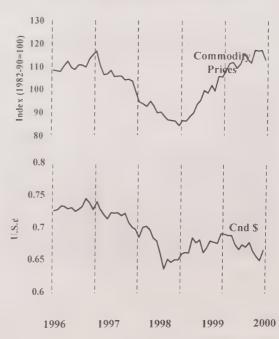
December registers record trade surpluses

- Canada closed out the year in December with a record trade surplus of \$5.8 billion. The surplus was \$485 million higher than the previous record in October 2000.
 - ➤ The monthly surplus with the U.S. broke the \$9 billion mark to reach a record \$9.2 billion surplus.
- The trade balance with all other major regions remains in deficit. Our deficit with the European Union narrowed by \$335 million to \$1.2 billion in December, while that with Japan widened by \$122 million to a deficit of \$193 million.

The Canadian dollar rebounds

- The Canadian dollar rebounded 1.6 US¢ in December after three consecutive monthly declines. Notwithstanding this recovery, the dollar remains almost 2.6 US¢ lower at the close of 2000 than at its closing one year earlier.
- The terms of trade (i.e., the ratio of export prices to import prices) improved substantially in December. However, commodity prices softened over the month.





Source: Statistics Canada, Bank of Canada



2001

Export growth soared in 2000...

- Exports increased 16% in 2000, the fastest growth since 1995, to reach \$411.7 billion.
- Imports also advanced, increasing 11.3% in 2000 to reach \$356.4 billion.
- A booming U.S. economy, rising commodity prices and a weak Canadian dollar were the main reasons for the rapid export expansion in 2000.

Percent 20 **Imports** 15

Growth in Exports and Imports*

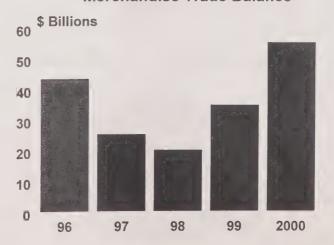


* Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.

...pushing the merchandise trade balance to new highs

• The merchandise trade balance hit an alltime high in 2000 at \$55.2 billion — an increase of \$20.5 billion over 1999.

Merchandise Trade Balance



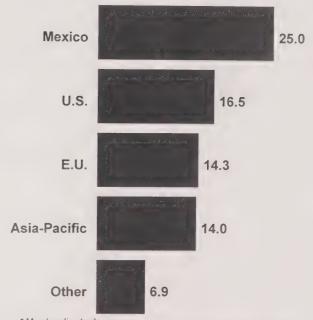




Exports to the U.S. were once again the driving force behind Canada's export growth

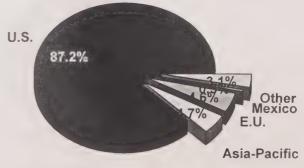
- Again in 2000, as has been the trend over the past decade, the U.S. has been the driving force behind Canada's export boom.
- Canadian exports to the U.S. grew 16.5% in 2000, up from 14.1% in 1999.
 - ➤ The U.S. now accounts for 87.2% of total Canadian merchandise exports
- Exports to Mexico shot up 25.0% in 2000, although Mexico still only accounts for half a percent of total Canadian exports.
- Exports to the E.U. and Asia-Pacific both increased at more than 14% in 2000, a significant improvement over 1999.
- Improved economic conditions in the two regions were largely responsible for the strong export performance.

Growth in Exports by Destination*, 2000/1999, (percent)



* Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.

Geographic Distribution of Exports*, 2000



* Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.

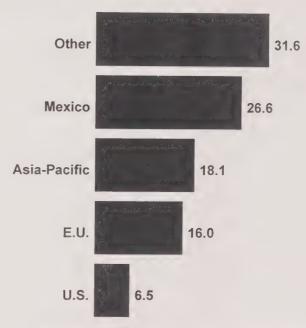


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Most import growth was from countries other than the U.S.

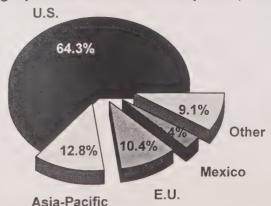
- The U.S. was the only region for which export growth surpassed import growth in 2000, 16.5% vs 6.5%.
 - U.S. accounted for only about 64% of total Canadian imports compared to more than 87% for exports.
- Import growth from Mexico was particularly strong in 2000, driving Mexico's share of Canadian imports to 3.4% in 2000.
- The strong domestic economy was the main reason behind the rapid increase in Canadian imports, especially from countries other than the U.S. while the strong U.S. dollar moderated the growth in imports from that country.

Growth in Imports by Destination*, 2000/1999, (percent)



* Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.

Geographic Distribution of Imports*, 2000



* Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.





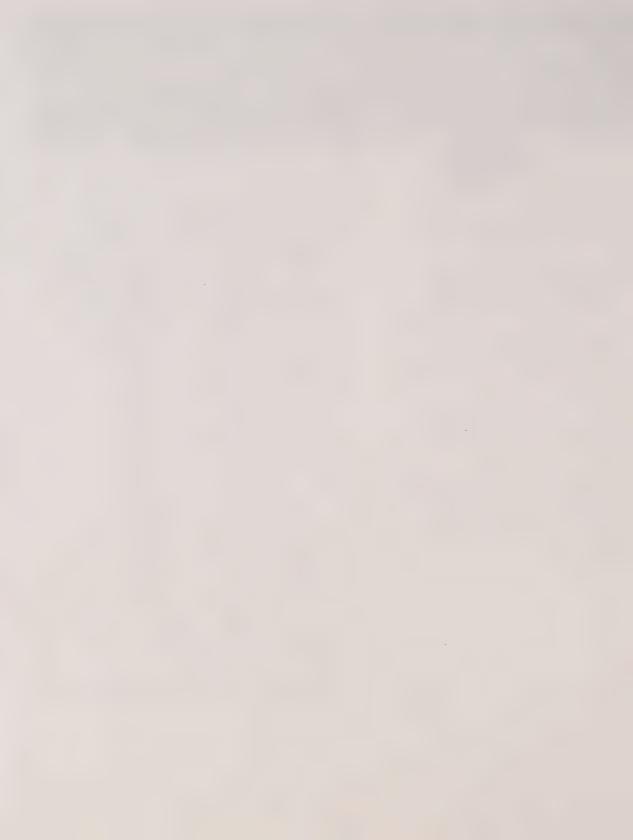
Resource-based exports led export growth in 2000

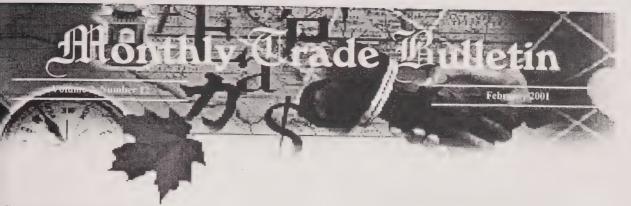
- The combination of higher prices, particularly for oil, and increased demand in the Asia-Pacific region helped propel resource exports in 2000.
- High-tech industries including Electrical & Electronics and Aircraft continued their rapid growth of the past few years into 2000.
- 2000 was a poor year for Automotive exports, barely changing from 1999 levels.
- Other Transportation Equipment exports declined by one-fifth in 2000, most of this decline was a result of a dramatic decline in exports of railroad rolling stock, but also of ship building and repairs.

Growth in Exports*, 2000/1999, (percent)

Refined Petroleum	71.9
Mining	60.5
Electrical & Electronics	41.7
Aircraft	22.0
Paper & Printing	17.7
Fabricated Metal	16.5
Chemicals	16.1
Rubber & Plastic	12.8
Furniture & Fixtures	12.4
Primary Metals & Minerals	10.6
Machinery	10.5
Clothing, Textiles & Leather	8.6
Other Manufacturing	☐ 7.6
Food, Beverage & Tobacco	☐ 6.9
Agriculture & Fishing	5.9
Autos	0.0
Logging & Wood	-5.0
Other Trans't Equip -20	0.8

^{*} Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.

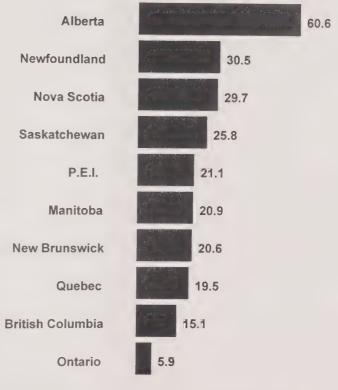




The Prairie and Atlantic provinces led export growth in 2000

- Alberta and Newfoundland led export growth in 2000, climbing 60.6% and 30.5% respectively propelled by higher energy prices in 2000.
- The other Prairie and Atlantic Provinces also performed exceptionally well in 2000.
- British Columbia, although among the poorer performers in 2000, showed significant improvement over the past few years.
- Ontario, the driver of Canadian export growth through much of the 1990s, was actually the worst performer in 2000, largely as a result of weak growth for automotive exports.

Growth in Exports by Province*, 2000/1999, (percent)



^{*} Merchandise trade

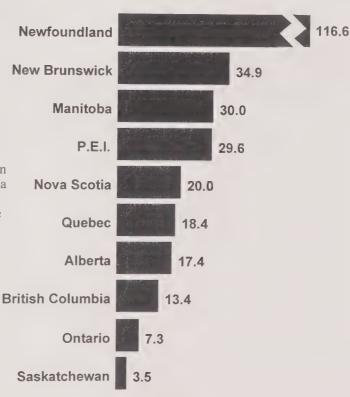




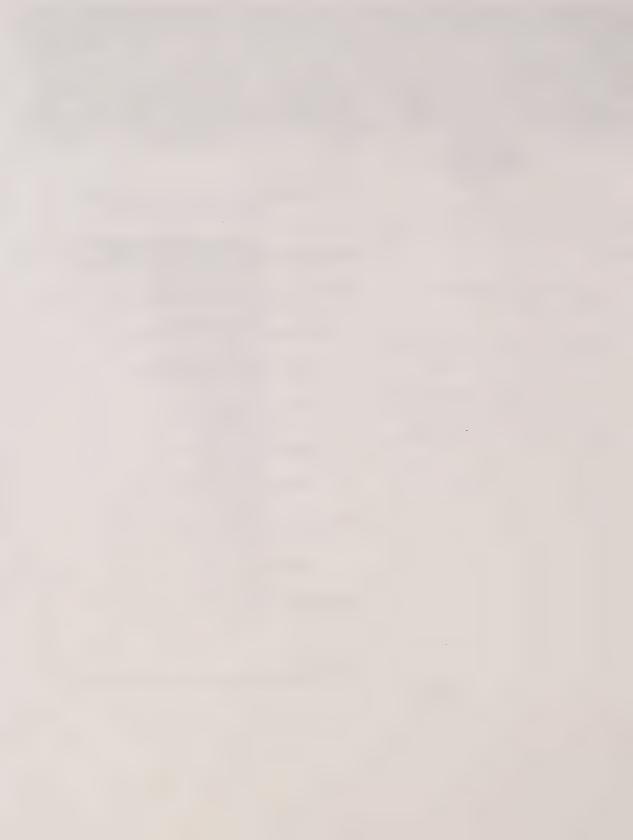
Newfoundland and New Brunswick led import growth in 2000

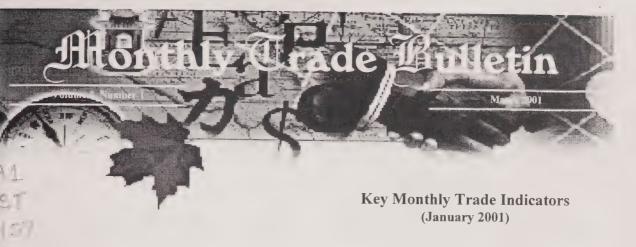
- Newfoundland lead import growth, increasing 116% in 2000.
- The other Atlantic provinces also experienced rapid import growth in 2000, occupying 4 out of the top-5 spots.
- As with exports, Ontario lagged the pack in 2000, with only Saskatchewan growing at a slower pace, due to slow growth of intermediate inputs relating to Automotive production.

Growth in Imports by Province*, 2000/1999, (percent)



^{*} Merchandise trade Source: Industry Canada compilations based on Statistics Canada data.





Highlights

- January's merchandise exports declined marginally while imports fell at a significant pace, leading to an overall widening in Canada's overall trade surplus.
- Similarly, exports to the U.S. were unchanged while imports from the U.S. were down significantly in January. As a result, Canada's trade surplus with the U.S. increased to a record \$10.1 billion for the month.
 - The Canadian dollar held steady over the month; nonetheless, it remains two and one-half US cents below its level of one year ago.

	\$ millions	% change over	
		previous month	previous year
Exports	36,690	-0.4	10.3
- Exports to U.S.	31,886	0.0	11.4
Imports	30,113	-2.9	4.0
- Imports from U.S.	21,816	-3.6	0.8
Trade Balance*	6,577	5,848	4,300
- Balance with U.S.*	10,071	9,244	6,980
Commodity Prices**	115.7	2.3	6.7
Canadian Dollar (US¢)*	66.7	66.7	69.2
Export Prices***	129.2	0.9	9.8
Import Prices***	110.3	2.3	0.9

- * Data in levels only
- ** Index (1982-90 = 100)
- *** Index 1992 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report:

Canada's Strengthening Trade Linkages with the U.S.

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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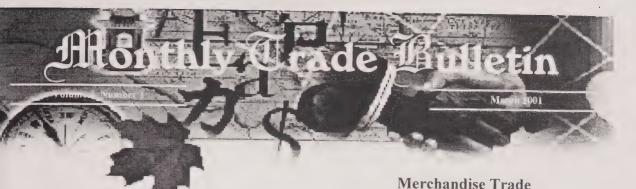
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Industry Canada Industrie Canada



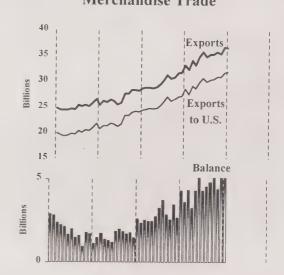


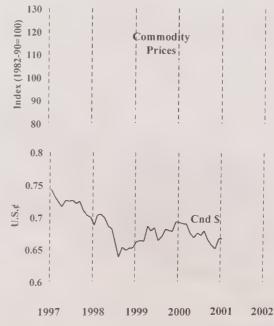
The trade account continues to register record surpluses

- Canada opened the new millennium in January with yet another record overall trade surplus, this time at \$6.6 billion. The surplus was \$729 million higher than last month's previous record.
 - The monthly surplus with the U.S. smashed through the \$10 billion mark.
- The trade account with all other major regions remains in deficit. The shortfall with Japan narrowed by \$121 million to \$72 million in January, while the deficit with the European Union widened by \$32 million to \$1.2 billion.

The Canadian dollar stands pat

- The Canadian dollar held steady over January. Nonetheless, the dollar remains
 2.5 US¢ lower at the start of 2001 than at the start of 2000.
- The terms of trade (i.e., the ratio of export prices to import prices) slipped slightly in January. However, commodity prices firmed over the month.





Source: Statistics Canada, Bank of Canada



Alorthly Urade Bulletin

Canada's Strengthening Trade Linkages with the U.S.

Canada's trade with the U.S. continues to forge ahead

- Total Canada-U.S. trade (goods and services) reached \$700 billion in 2000, up from \$427 billion in 1995.
 - ➤ Exports reached \$393 billion and imports \$307 billion in 2000, increases of 15.4% and 7.3% respectively over the previous year.
 - ➤ \$1.3 million dollars worth of goods and services cross the Canada-U.S. border every minute.

The U.S. now accounts for almost 83% of our total exports

- The share of Canadian exports of goods and services going to the U.S. increased by nearly eight percentage points in just 5 years, rising from 75.0% in 1995 to 82.9% in 2000.
 - ➤ During this period, the U.S. share of Canadian imports remained relatively constant at about 72%.

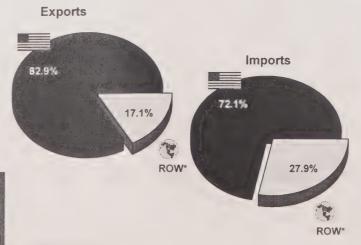
Trans-shipments

Canadian exports to the U.S. may be somewhat overstated as a result of Canadian exports passing through the U.S. en route to other destinations being counted as exports to the U.S.

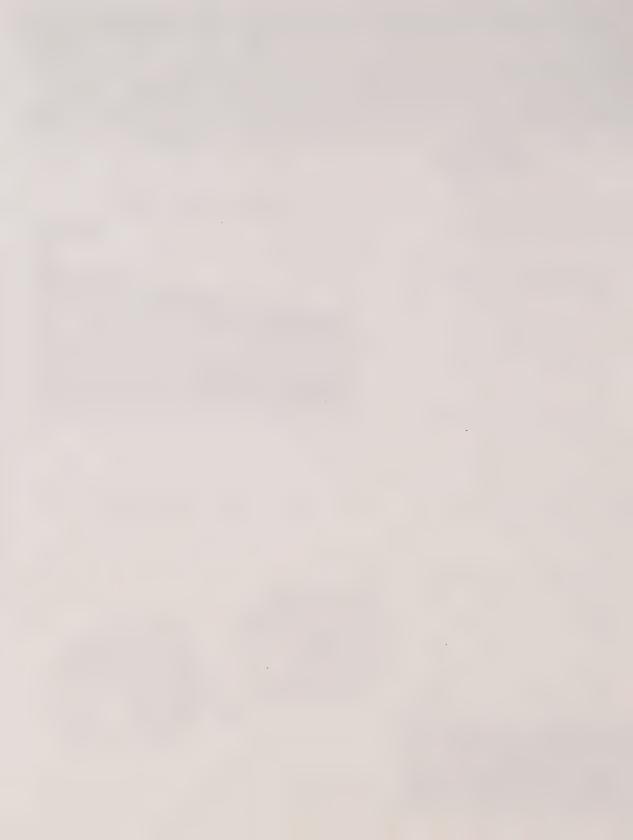
Canada - U.S. Trade \$ Billions 800 \$700 Billion 700 600 500 400 300 200 100 O 1995 1996 1997 1998 1999 200

Source Statistics Canada

U.S. Share of Canadian Export and Imports



Source. Statistics Canada



kages with the U.S.

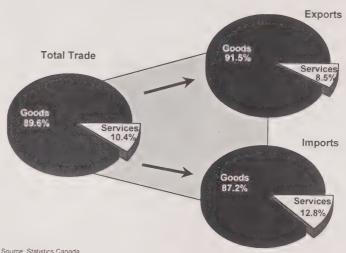
90% of Canada-U.S trade is trade in goods

- Services account for only 10% of Canada-U.S. trade, while goods trade accounts for the rest.
 - ➤ Services account for a somewhat larger share of imports than exports at 12.8% and 8.5%, respectively.

It is trade in goods that has been driving Canada's growing trade surplus with the U.S.

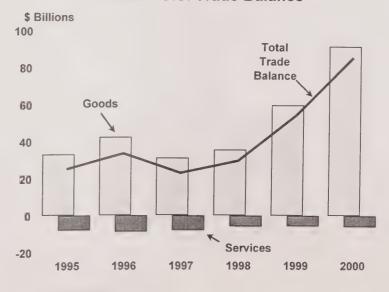
- · Canada's total trade balance (goods and services) with the U.S. increased for the fourth strait year, from \$54.3 billion in 1999 to \$86.0 billion in 2000 — and nearly triple the level in 1997...
 - ➤ This was driven by the large merchandise trade surplus which increased by a third, from \$60.1 billion in 1999 to \$92.1 billion in 2000.
- ▶ At the same time, the deficit in services trade with the U.S. increased somewhat in 2000 however, reaching \$6.1 billion, up from \$5.9 billion a year earlier.

Distribution of Canada-U.S. Trade, 2000

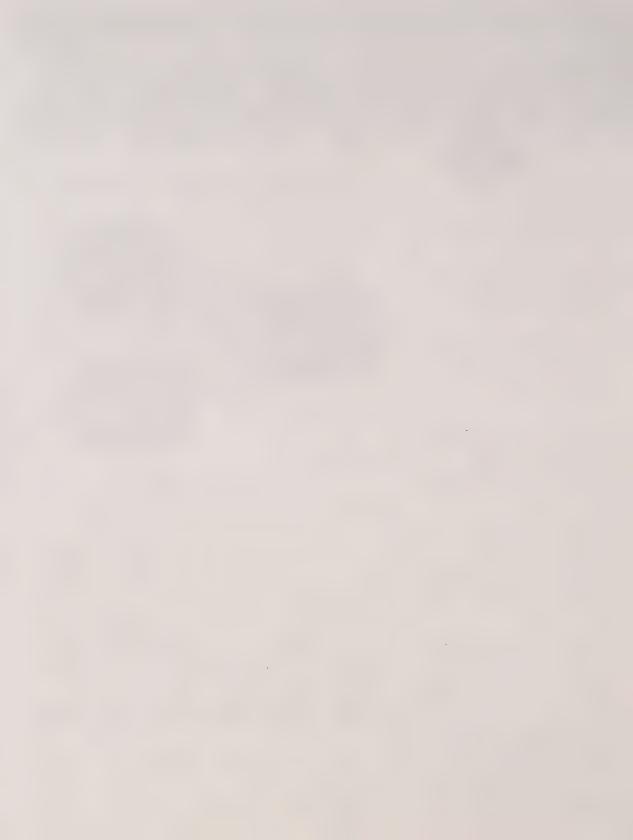


Source: Statistics Canada

Canada - U.S. Trade Balance



Source. Statistics Canada



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Sanada's Strengthening Trade Linkages with the U.S.

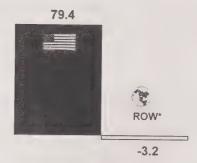
Exports to the U.S. were entirely responsible for Canada's export growth since 1995

- Between 1995 and 2000, Canada's merchandise exports increased by 79.4% — an average annual rate of 12.4%.
- Over the same period, exports to the rest of the world actually fell by 3.2%.
- If exports to the U.S. had grown at the same pace as the rest of the world between 1995 and 2000, our exports to the U.S. would actually be \$165 billion lower than they currently are.

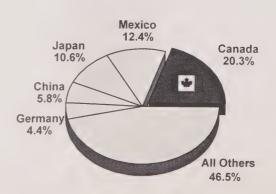
Trade with Canada is also vitally important to the U.S. as well

- Canada continues to be, by a wide margin, the U.S.'s largest trading partner.
 - ➤ The U.S. trades more with Canada than with all of the countries of the E.U. combined!

Growth in Canadian Merchandise Exports, Percent 1995-2000



Distribution of U.S. Trade* — 2000



* Merchandise trade Source World Trade Atlas



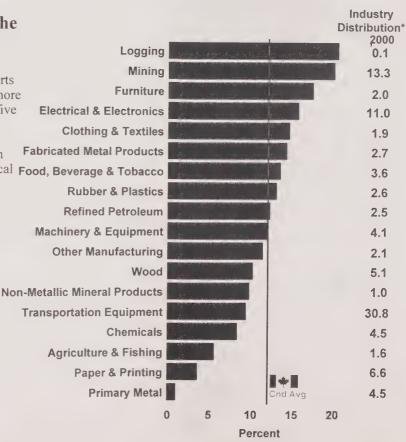
Horthly (Leade Malletin Market Trade Linkages with the U.S.

Transportation Equipment still accounts for nearly one-third of Canadian merchandise exports to the U.S.

- Both Logging and Mining exports to the U.S. grew, on average, more than 20% per year for the past five years.
- Three industries; Transportation
 Equipment, Mining and Electrical
 & Electronics account for more
 than half of all Canadian
 merchandise exports to the U.S.
 Fabricated Metal Products
 Food, Beverage & Tobacco
 Rubber & Plastics

 Refined Petroleum

Average Annual Growth in Merchandise Exports to the U.S. By Industry, 1995-2000



^{*} Share of exports to U.S Source. Statistics Canada



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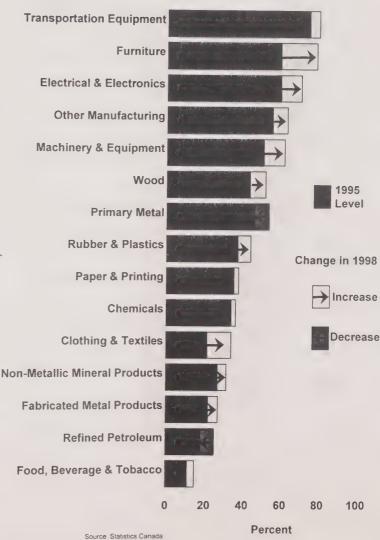
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anda's Strengthening Trade Linkages with the U.S.

The importance of the U.S. market increased for most industries

- Exports to the U.S. as a share of total shipments increased in nearly every industry (except Primary Metal and Refined Petroleum) between 1995 and 1998.
 - ➤ Furniture and Clothing & Textiles experienced the largest increase in share of shipments going to the U.S.
 - ➤ Six industries now send more than half of their output South of the border, these include many knowledge intensive industries such as Transportation Equipment, Electrical & Electronics and Machinery & Equipment.

Merchandise Exports to U.S. As Share of Shipments





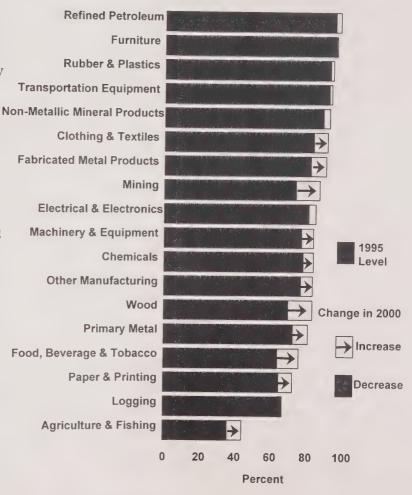
Monthly Trade Mulletin

la's Strengthening Trade Linkages with the U.S.

Share of Merchandise Exports Going to the U.S.

Canada's trade linkages with the U.S.increased in nearly every industry

- Between 1995 and 2000, the U.S. share of total Canadian merchandise exports increased in all industries (except Logging).
 - ➤ The largest increases occurred in Wood, Mining and Food, Beverage & Tobacco.
 - ➤ Seven industries now send more than 90% of their exports to the U.S.



Source. Statistics Canada



Monthly Urade Mulletin

ada's Strengthening Trade Linkages with the U.S.

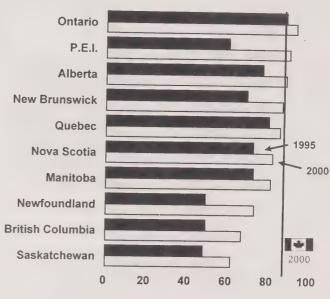
Trade linkages with the U.S. increased for all provinces

- 87.2% of all Canadian merchandise exports go to the U.S
- The U.S. accounts for at least 60% of exports of all provinces, ranging from 62% for Saskatchewan to 93% for Ontario.

Canadian exports increased to 48 out of 50 U.S. states

- We exported more to nearly very state from 1995 to 2000, the only exceptions being Rhode Island and Hawaii.
- The top 5 U.S. states account for nearly 50% of our exports to the U.S.
 - We export more to Washington State (ranks 5th among U.S. states) than to all of the Asia-pacific region.
 - Mexico ranks behind 32 states in terms of importance as a destination for our exports.

Share of Exports Merchandise Going to the U.S.



Source: Statistics Canada

Top 5 U.S. States

2000		1995-2000		

* Average Annual Growth Rate Source: Statistics Canada



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da's Strengthening Trade Linkages with the U.S.

Growth in Canada-U.S. services trade has also been strong...

- Canadian services exports to the U.S. grew at about the same pace as merchandise exports over the 1995-2000 period.
- Service imports from the U.S. however, grew at a significantly lower rate than merchandise imports, 6.5% compared to 9.6%

...although, the U.S. share of total services trade increased only slightly

- To countries other than the U.S., services trade grew at a much more rapid pace than merchandise trade between 1995 and 2000.
- As a result, unlike merchandise trade, the U.S. share of Canadian services trade increased only slightly.
 - ➤ U.S. share of service exports increased from 56.4% in 1995 to 59.3% in 2000, imports increased from 61.5% to 62.8% over the same period..
- ➤ Both Imports and exports saw a slight decline in the U.S. share in 2000.

Average Annual Growth in Services Trade With the U.S., Percent 1995-2000



Source: Statistics Canada

U.S. Share of Canadian Trade in Services



Source: Statistics Canada



Highlights

- February's merchandise exports fell at a faster pace than the decline in imports, leading to an overall downturn in Canada's trade surplus with the world.
- Similarly, exports to the U.S. fell more than did imports from the U.S. in February resulting in a \$1.1 billion diminution in Canada's trade surplus with the U.S. for the month.
- The Canadian dollar dropped sharply over the month, falling to a level 3.9 US cents below that of one year ago.

	S	% change over	
	millions	previous month	previous year
Exports	35,144	-4.5	8.5
- Exports to U.S.	30,745	-3.5	11.7
Imports	29,277	-2.8	1.9
- Imports from U.S.	21,646	-0.3	0.2
Trade Balance*	5,867	6,670	3,641
- Balance with U.S.*	9,098	10,161	5,917
Commodity Prices**	110.6	-0.4	0.9
Canadian Dollar (US¢)*	65.1	66.7	69.0
Export Prices***	128.1	-1.2	8.3
Import Prices***	111.5	0.5	1.9

^{*} Data in levels only.

Source: DFAIT compilations based on Statistics Canada data.

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Industry Canada Industrie Canada

^{**} Index (1982-90 = 100)

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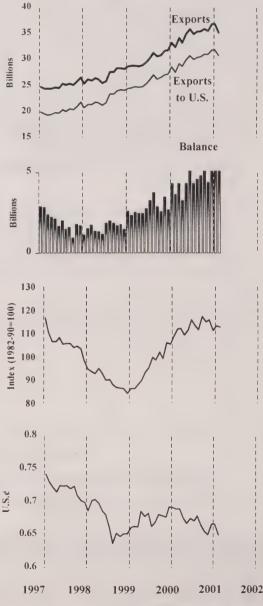


Trade surplus dips, but remains strong

- The overall trade surplus dipped to just below \$5.9 billion in February, down from the record \$6.7 billion registered in January. February's trade surplus is the second largest value ever recorded.
 - ➤ The monthly surplus with the U.S. fell back to \$9.1 billion after having smashed through the \$10 billion mark last month.
- The trade balance with all other major regions remains in deficit. Our deficit with the EU narrowed by \$281 million to just over \$1.0 billion for February, while that with Japan widened by \$36 million to \$92 million.

The Canadian dollar drops sharply

- The Canadian dollar dropped sharply over February, losing 1.6 US¢ in value. The dollar was 3.9 US¢ lower in February 2001 than in February 2000.
- The drop in the dollar contributed to falling export prices over the month, and drop in the terms of trade (i.e., the ratio of export prices to import prices). Commodity prices also softened over the month.



Source: Statistics Canada, Bank of Canada

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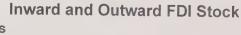
Canada continues to be a net exporter of FDI

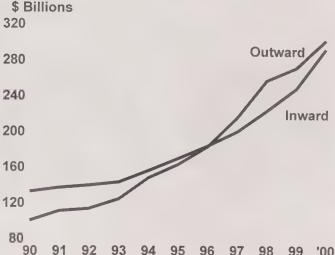
- Since 1996, Canadian outward foreign direct investment (FDI) stock has exceeded inward FDI stock.
 - ➤ For the past two years, however, inward FDI stock has grown at a faster pace than outward FDI stock.
 - ➤ In 2000, Canada's stock of outward FDI reached \$301 billion, \$10 billion more than inward FDI stock.

And, inward and outward FDI as a share of GDP continues to rise

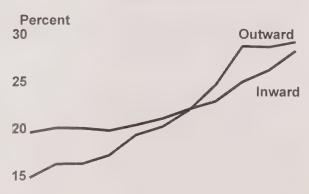
- The stock of foreign direct investment (inward plus outward) is equal to 57% of GDP in 2000, up from 34% in 1990.
 - ➤ Of this increase, outward FDI made the most significant gain, doubling from 14% of GDP in 1990 to 29% in 2000.

Source: The source for all data in this special report is from Statistics Canada, International Investment Position and Balance of International Payments.





Inward and Outward FDI Stock Share of GDP



10 90 91 92 93 94 95 96 97 98 99 '00

Monthly Trade Bulletin

nada's Foreign Investment Performance in 2000.

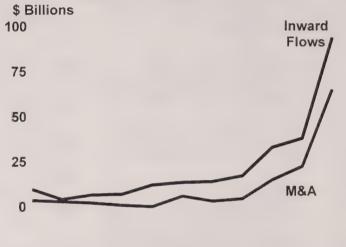
Mergers and Acquisitions (M&As) accounted for most of the recent increase in inward FDI flows...

- FDI inflows more than doubled in 2000, reaching \$93 billion. 70% of this rise was a result of increased M&A activity.
 - ➤ A large portion of the inward M&A activity in 2000 was a result of one large transaction in the Food & Beverage sector.

... as well as outflows

- M&As also accounted for 66% of FDI outflows in 2000, pushing total outflows to \$62 billion for the year.
 - A significant portion of outward M&A activity over the past few years has been in the electronics and telecommunications sectors.

M&As and Inward FDI Flows



90 91 92 93 94 95 96 97 98 99 '0

M&As and Outward FDI Flows





91 92 93 94 95 96 97 98 99 '00

\$ Billions

Aftonthiv Crade Bulletin April 2001 Canada's Foreign Investment Performance in 2000

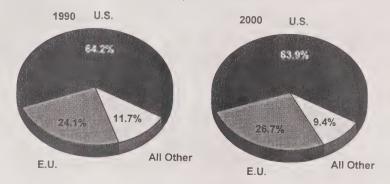
The U.S. still accounts for nearly two-thirds of our inward FDI stock...

- The U.S. share of Canada's inward FDI stock has remained relatively constant at around 64%.
- The share of the E.U. has increased slightly from 24.1% to 26.7% while that of all other countries has fallen from 11.7% to 9.4%.
 - ➤ Part of this decline can be accounted for by reduced investment from the Asia-pacific region, a result of the impact of the Asian crisis.

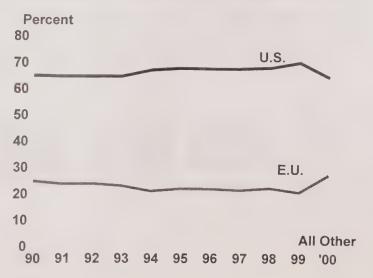
...although the E.U. has seen a dramatic rise in its share in 2000

- The E.U.'s share of Canadian inward FDI stock jumped six percentage points in 2000 more than was lost over the previous 10 years.
 - ➤ On the other hand, the U.S. saw a similar-sized drop in its share.

Geographic Distribution of Inward FDI Stock



Geographic Distribution of Inward FDI Stock



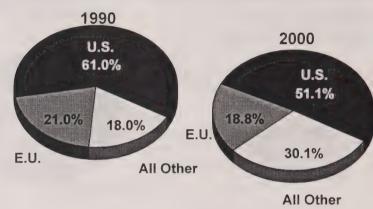
Monthly Crade Pulletin

The da's Foreign Investment Performance in 2000

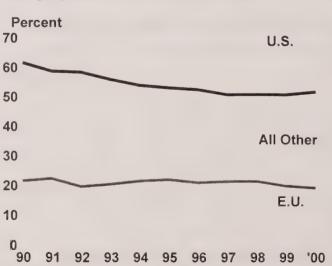
U.S. share of Canadian outward FDI has declined steadily

- The U.S. share of Canada's outward FDI stock is significantly smaller than inward FDI stock and has declined from 61.0% in 1990 to 51.1% in 2000.
- The E.U. share of Canada's outward FDI has also declined somewhat, with the share of all other countries increasing.
 - The share of non-OECD countries in Canada's total outward FDI has nearly doubled from 13% to 24% over the past decade.

Geographic Distribution of Outward FDI Stock



Geographic Distribution of Outward FDI Stock

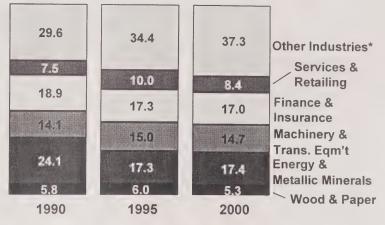


Canada's Foreign Investment Performance in 2000

FDI in Canada has been shifting towards Electronics and telecommunications...

- The share of "Other Industries" which includes Electronics and Telecommunications has increased in recent years, mostly at the expense of Services and Wood & Paper.
- Otherwise, the industrial distribution of FDI has been relatively constant.

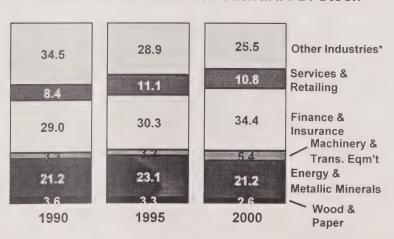
Industrial Distribution of Inward FDI Stock

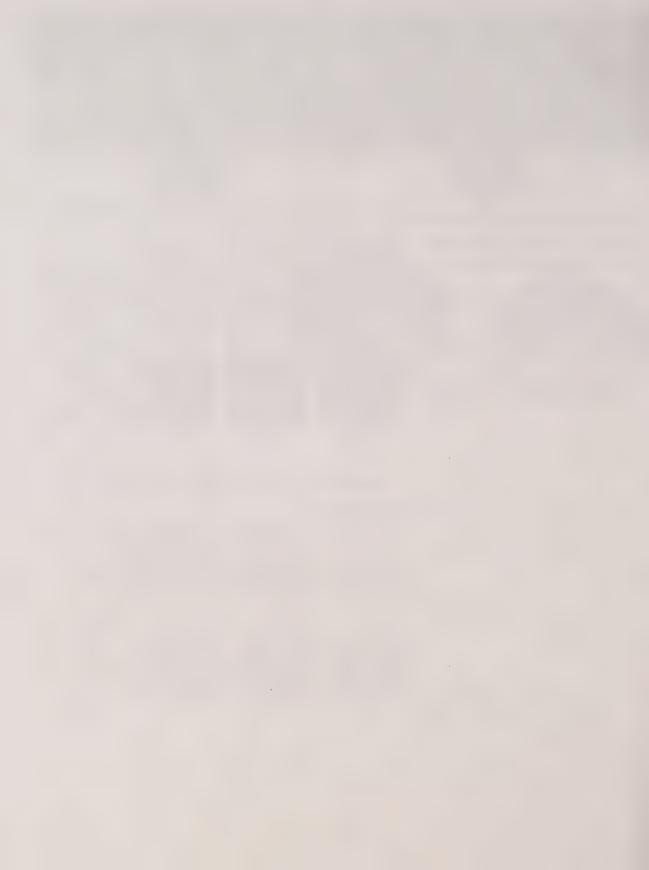


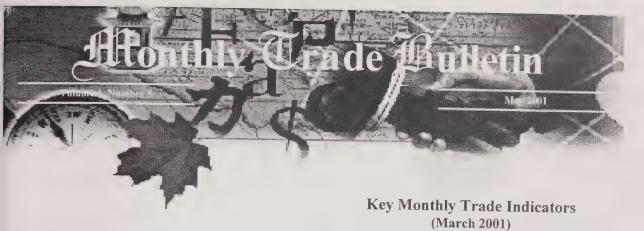
Industrial Distribution of Outward FDI Stock

...while outward FDI is increasingly going into the Finance & Insurance

- More than one-third of Canadian outward FDI is in the Finance & Insurance industry, and the share has been rising.
- Unlike inward FDI, the share of "Other Industries" in outward FDI (which includes electronics and telecommunications) has been declining.







Highlights

- In March, merchandise exports grew at a faster pace than imports, leading to an overall increase in Canada's trade surplus with the world.
- However, exports to the U.S. grew more slowly than did imports from the U.S. in March resulting in a slight decline in Canada's trade surplus with the U.S. for the month.
- The Canadian dollar dropped sharply over the month, falling 1.7 US cents. The dollar is four-tenths of a cent below the previous low of 63.8 US¢ registered in August 1998.

	S	% change over	
	millions	previous month	previous year
Exports	36,037	2.3	5.5
- Exports to U.S.	30,786	0.5	5.5
Imports	29,873	1.7	0.1
- Imports from U.S.	21,817	1.1	-2.0
Trade Balance*	6,164	5,838	4,337
- Balance with U.S.*	8,969	9,050	6,919
Commodity Prices**	110.7	-1.9	-1.3
Canadian Dollar (US¢)*	63.4	65.1	69.0
Export Prices***	126.0	-0.9	6.3
Import Prices***	107.0	-4.3	1.0

- * Data in levels only.
- ** Index (1982-90 = 100)
- *** Index 1992 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Patterns in Canada's Services Trade

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAFT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

ISSN 1496-192X

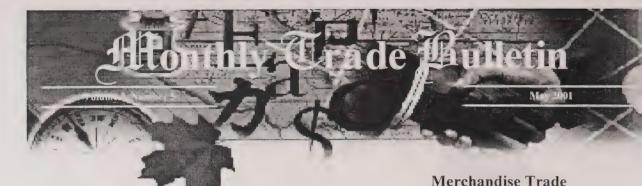


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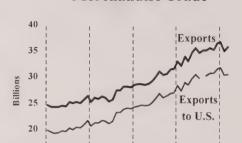


Trade balances remain strong

- The overall trade surplus recovered to \$6.2 billion in March, up from February's \$5.8 billion.
 - ➤ The monthly surplus with the U.S., however, declined \$81 million to \$9.0 billion last month.
- The trade deficit with the EU narrowed by \$86 million to just under \$1.0 billion for March, while the trade account with Japan registered a \$57 million surplus.

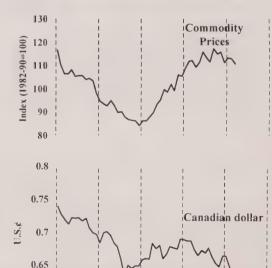
The Canadian dollar records a new low

- The Canadian dollar tumbled to a new low of 63.4 US¢, down 1.7 US¢ in value in March after having lost a similar amount in February. The dollar was 5.6 US¢ lower over March 2000 and four-tenths of a cent below the previous low of 63.8 US¢ registered in August 1998.
- Hand-in-hand with the drop in the dollar, prices fell across the board as export prices, import prices and commodity prices were all down over the month.



15





1999

Source: Statistics Canada, Bank of Canada

2000

2001

2002

1998



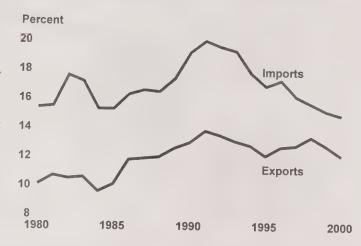
In the 1990s, trade in services has not grown as fast as trade in goods

- Service exports rose \$33.8 billion over the 1990s - an increase of 151%, to reach \$56.2 billion in 2000. Likewise, service imports increased \$29.8 billion to reach \$62.8 billion in 2000.
- The share of services in total exports and imports peaked in 1992 at 13.6% and 19.8% respectively. Services' shares have fallen considerably since, to 11.9% of total exports and 14.7% of total imports, in 2000.

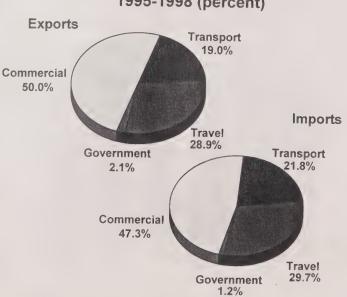
Commercial services account for the largest share of both exports and imports

- The compostion of Canada's services exports and imports are very similar.
- Over the 1990s, the share of commercial services in both exports and imports has increased while the shares of all other service components have declined.

Share of Services Trade in Total Trade



Composition of Services Trade, 1995-1998 (percent)



Monthly Crade Palletin

M-2001

Patterns in Canada's Services Trade

The importance of commercial services trade has increased significantly

- The share of commercial service exports in total service exports has increased steadily over the past two decades, rising from 27.3% in 1980 to 51.2% in 2000.
- Similarily, the share of commercial services in total service imports has also increased from 34.0% in 1980 to 48.3% in 2000.

Share of Commercial Services in Canada's Total Services Trade



Architect & Engineering Services and Royalties & License Fees greatly increased in importance in exports over the 1990s

- Architect & Engineering Services increased as a share of total Commercial service exports from 9.4% average over the 1990-94 period to 13.4% over the 1995-98 period. As did Royalties & License fees from 2.4% to 6.1%.
- The structure of commercial service imports remained fairly stable.

Composition of Commercial Services, (percent)

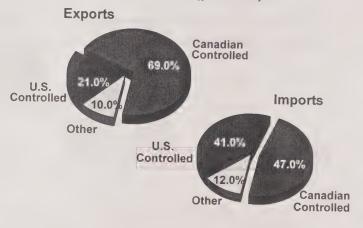
	Exports		Imports	
	1990-94	1995-98	1990-94	1995-98
Communication	11.6	8.9	8.5	8.1
Insurance	21.8	16	18.9	18
Other financial	5.9	5.2	6.9	7.2
Computer and information	7.1	6.3	3.4	3.7
Royalties and license fees	2.4	6.1	14	12.8
Management	9	9.2	11.2	13.6
R&D	7.8	9.5	3.8	3.7
Architect & Engineering	9.4	13.4	4.4	4.9
Miscellaneous	13.1	13.2	15.6	14.4
Audio-Visual	4.1	5.5	5.1	6.1
Other	7.8	6.7	8.2	7.5

Patterns in Canada's Services Trade

More than two-thirds of Canada's commercial service exports are carried out by Canadian-controlled firms...

- 69% of Canada's commercial service exports are carried out by Canadiancontrolled firms although only accounting for 47% of imports.
 - ➤ U.S.-controlled firms, on the other hand, account for only 21% of Canada's commercial service exports but represent 41% of imports.

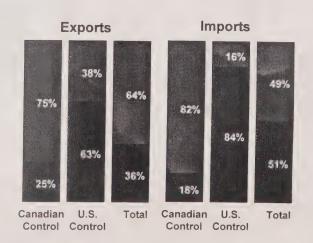
Share of Commercial Services Trade by Country of Control, 1995-1998 (percent)



...but largely with nonaffiliated firms

- Most of the transactions by Canadiancontrolled firms are at arms length or non-affiliated. On the other hand, the transactions of U.S. controlled firms are of an intra-corporate nature.
 - ➤ Only 25% of the commercial service exports and 18% of imports by Canadian-controlled firm is done with affiliated companies.
 - ➤ For U.S.-controlled firms in Canada, the number are 63% and 84% respectively.

Share of Commercial Services by Country of Control, 1995-1998 (percent)



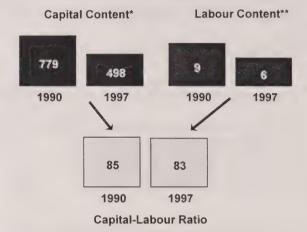
Aftonthly Crade Bulletin Patterns in Canada's Services Trade

Service exports have a significantly higher value-added content than goods exports

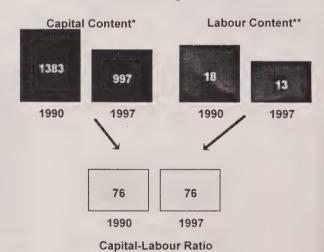
- Service exports have nearly double the value-added content (use, more capital and labour per unit of exports) as do goods exports.
- However, the value-added content of both goods and service exports has fallen over the 1990s.
 - ➤ This is consistent with increases in product specialization and productivity.
- As expected, the capital to labour ratio is significantly lower for service exports than for goods exports.

Factor Content of Canadian Exports

Goods Producing Industries



Service Producing Industries



^{*} Capial content embodied in \$1 million exports (\$ thousands).

^{**} Labour embodied in \$1 million exports (persons)
Page 6

Aftorthis Crade Pulletin Patterns in Canada's Services Trade

Service exports have a much higher domestic content than goods exports...

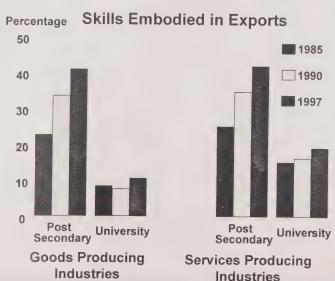
- Merchandise exports, on average, use more than four times the value of imported inputs as does service exports.
- However, the share of imported inputs has increased significantly in the 1990s for both goods and service exports,.

...and have a substantially higher proportion of workers with university degrees

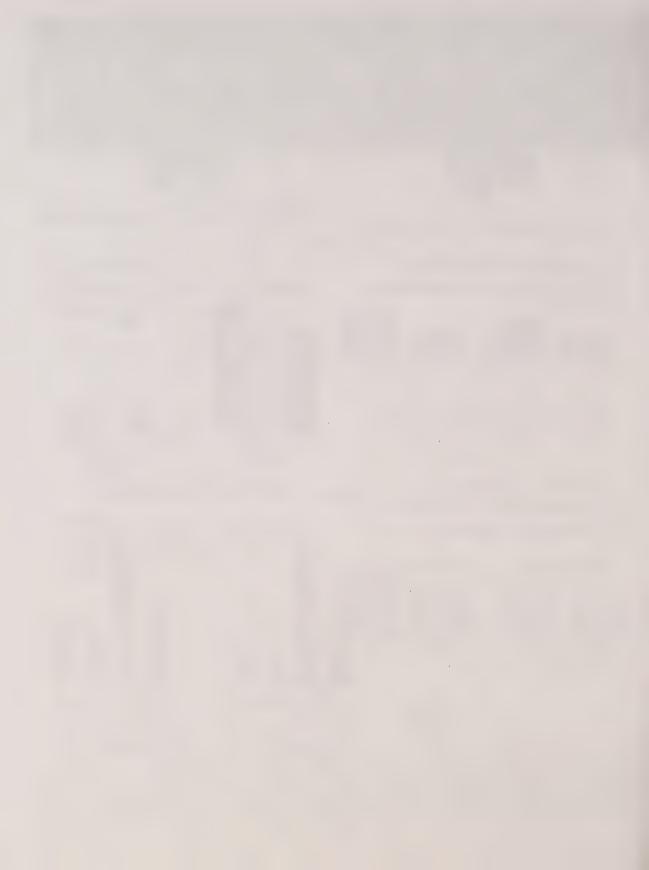
- The skill content of both goods and service exports increased considerably in the 1990s.
- A much higher share of workers in service exporting industries have a university degree compared to the goods exporting industries.

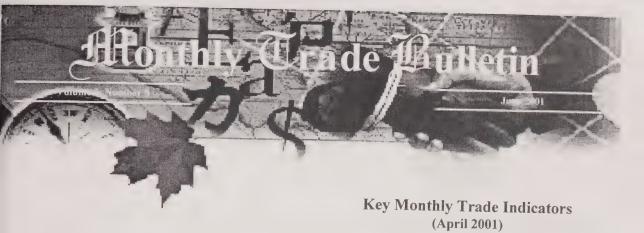


Import Content Share of Canadian Exports



This special report was prepared in collaboration with Ram Acharya and is based on the paper "Canada's Trade and Foreign Direct Investment Patterns with the United States" by Acharya, Sharma and Rao, all of the Micro-economic Policy Analysis Branch at Industry Canada.





Highlights

- In April, overall Canadian merchandise exports grew at a slightly slower pace than imports.
- Exports to the U.S. grew at a faster pace than imports from the U.S. in April resulting in a strong increase in Canada's trade surplus with the U.S. for the month.
- The Canadian dollar recovered from its recent low, gaining 1.7 US cents over the month. The dollar is 2.5 US cents below its level of one year ago.

	•	% change over	
	millions	previous	previous
		month	year
Exports	37,028	1.7	10.3
- Exports to U.S.	31,902	4.4	11.7
Imports	30,695	1.9	2.1
- Imports from U.S.	22,333	1.0	0.9
Trade Balance*	6,333	6,280	3,513
- Balance with U.S.*	9,570	8,454	6,407
Commodity Prices**	115.4	2.6	5.7
Canadian Dollar (US¢)*	65.1	63.4	67.6
Export Prices***	112.1	1.5	7.4
Import Prices***	106.8	1.0	4.0

^{*} Data in levels only.

This Month's Feature Report: Trade by High-Technology Industries

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAFT under the direction of John M. Curtis. Feature report prepared by Shenjie Chen, also of the Trade and Economic Analysis Division at DFAIT.

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^{**} Index (1982-90 = 100)

^{***} Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

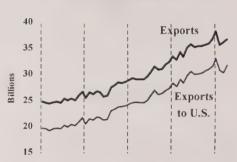


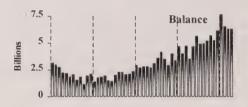
Key trade balances remain strong

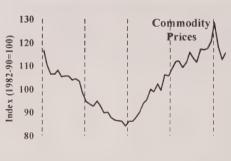
- The overall trade surplus edged up \$53 million over March levels, to \$6.3 billion in April.
 - The monthly surplus with the U.S. jumped \$1.1 billion to \$9.6 billion last month.
- The trade balance with all other major regions remains in deficit. Our deficit with the EU widened by \$365 million to just over \$1.1 billion for April, while our trade account with Japan registered a \$253 million deficit.

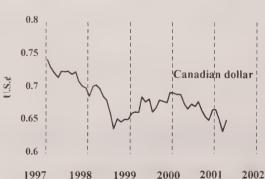
The Canadian dollar rebounds

- The Canadian dollar rebounded 1.7 US¢ in value in April after having tumbled to a new low in March. The dollar was 2.5 US¢ lower than its level in April, one year earlier.
- Hand-in-hand with the rise in the dollar, prices rose across the board as export prices, import prices, and commodity prices were all up over the month.









Source: Statistics Canada, Bank of Canada

Manufacturing High-Technology Industries

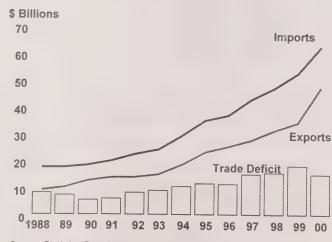
Based on an OECD definition, the following industries are considered as the manufacturing high-technology sector:

- Aircraft & Parts;
- Communications-Electronics;
- · Office, Store and Business Machines (Computers); and,
- Pharmaceuticals.

Canada's manufacturing high-technology trade has more than quadrupled over the past decade

- Exports grew from \$9 billion in 1988 to over \$48 billion in 2000 an average annual growth rate of 15.0%, far exceeding the 9.4% growth rate registered by all merchandise exports.
- During this period, imports grew from over \$17 billion to over \$63 billion an average annual rate of 11.3%, compared to 8.7% for all merchandise imports.
 - ► The trade deficit almost doubled, from \$8.5 billion to \$15.5 billion.

Canadian Trade in High-Technology Industries



Source: Statistics Canada

This special report was prepared in collaboration with Can D. Le and Vanessa Chang of the Innovation Policy Branch, Industry Canada.

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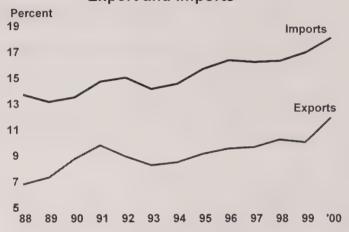
Jan. 2001

rade by High-Technology Industries

High-technology's shares of Canadian exports and imports have increased substantially

- The share of manufacturing high-technology industries in total merchandise exports increased from 6.5% in 1988 to 11.7% in 2000.
- The share of high-technology imports also increased, from 13.5% in 1988 to 17.9% in 2000.

High-technology Share of Export and Imports

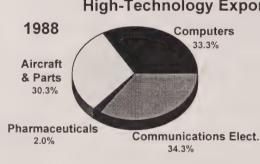


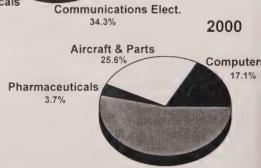
Source: Statistics Canada

Communications-Electronics has become more prominent in exports...

- Communications-Electronics increased its share of high-technology exports from 34.3% in 1988 to 53.5% in 2000.
 - ► Pharmaceuticals also increased its share slightly from 2.0% to 3.7%.
 - In contrast, the share of Computers declined substantially as did that of Aircraft & Parts.

Composition of High-Technology Exports





Source: Statistics Canada

Communications Elect. 53.5%



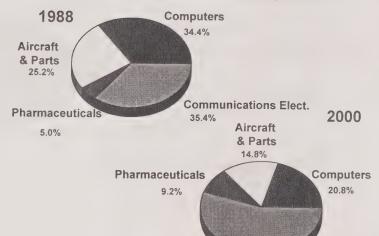
... as well as imports

- Communications-Electronics' share of high-technology imports increased from 35.4% in 1988 to 55.2% in 2000.
- Pharmaceuticals almost doubled its share, from 5.0% to 9.2%.
- In contrast, the shares of Computers as well as Aircraft & Parts have declined.

The trade deficit in Communications Electronics also increased considerably

- At \$9.4 billion, the trade deficit in Communications Electronics accounted for approximately 60% of the total hightechnology trade deficit.
 - It is also interesting to note, that this deficit is in electronic parts & components as Canada maintains a surplus in communications equipment.
- Aircraft & Parts on the other hand, has posted a trade surplus since 1989, albeit small.

Composition of High-Technology Imports

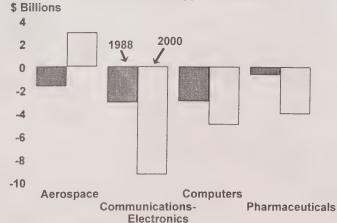


Source: Statistics Canada

Communications Elect.

55.2%

Balance of Trade in High-Technology Industries



Source: Statistics Canada

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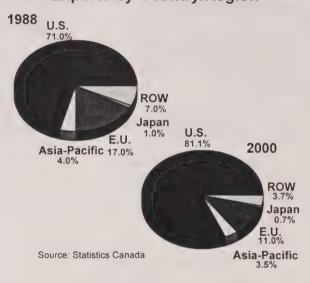
Monthly Crade Pulletin

Trade by High-Technology Industries

The U.S. continued to account for an ever increasing share of Canada's manufacturing high-technology exports

- In 2000, 81.1% of manufacturing high-technology exports were destined for the U.S., compared to 71% in 1988.
- The shares of all non-U.S. destinations have declined considerably particularly the E.U.

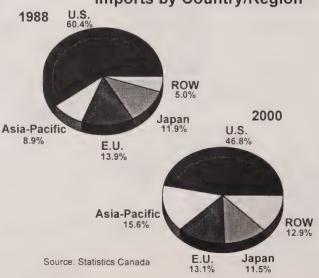
Distribution of High-Technology Exports by Country/Region



However, the U.S. share of our high-technology imports has fallen

- In contrast to exports, the U.S. share of Canadian high-technology imports has declined from 60.4% in 1988 to 46.8% in 2000.
- The shares of E.U. and Japan also fell, while the shares of Asia-Pacific and the rest of the world (ROW) increased significantly.

Distribution of High-Technology Imports by Country/Region



Page 6

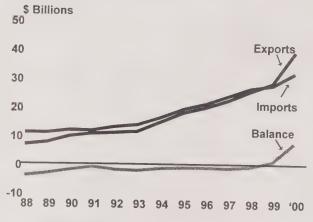
Monthly Trade Pulletin

Trade by High-Technology Industries

Canada's high-technology trade surplus with the U.S. increased ten-fold in 2000...

• Canada's trade deficit with the U.S. in high-technology products had been shrinking steadily for over a decade. For the first time, in 1999, Canada registered a surplus of \$757 million. The surplus increased tenfold in 2000 to \$7.4 billion.

Canada's High-Technology Trade with the U.S.

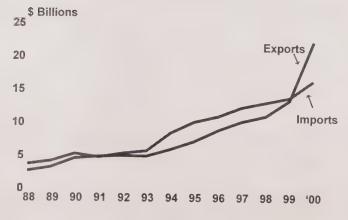


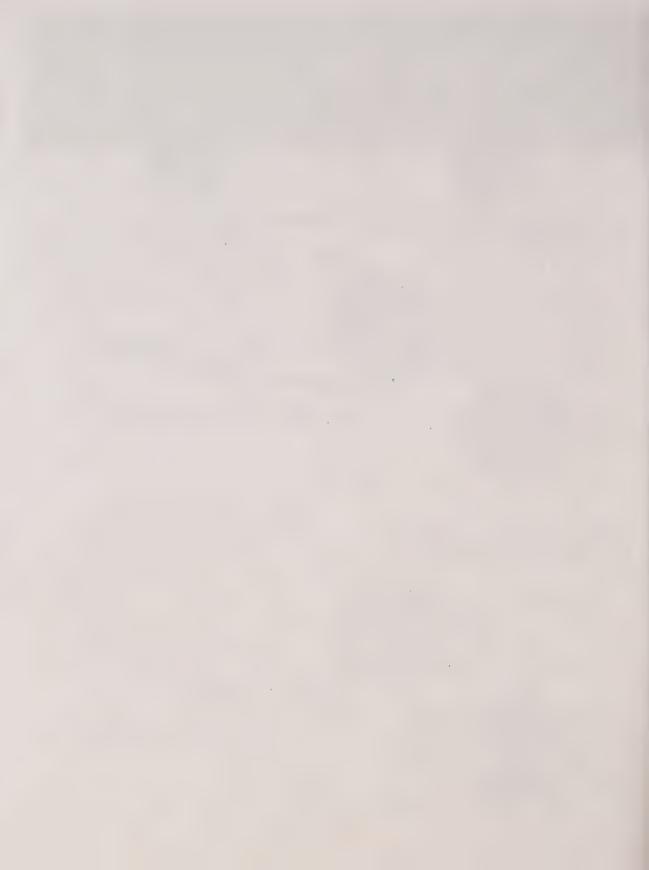
Source: Statistics Canada

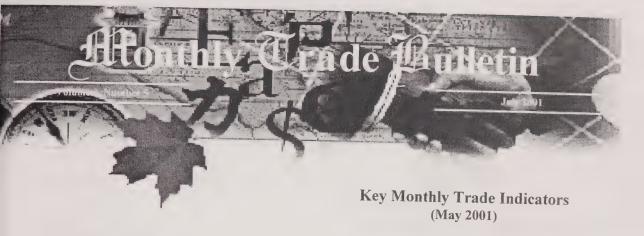
...driven by huge surpluses in Communications-Electronics

- The turn-around in Canada's high-technology trade with the U.S. was mainly due to the communications-electronics industry: Canada's exports to the U.S. increased by 68%, and imports from the U.S. by 19% between 1999 and 2000 in this area
 - ➤ In 2000, Canada had a more than \$7 billion surplus in Communications-Electronics with the U.S.

Canada's Trade with the U.S. in Communications-Electronics







Highlights

- In May, Canadian merchandise exports and imports both dipped, although the decline in exports was slightly less than that for imports. As a result, Canada's overall trade surplus with the world increased slightly.
- Exports to and imports from the U.S. fell by the same rate in May—resulting in a slight decline in Canada's trade surplus with the U.S. for the month.
- The Canadian dollar edged lower 0.1 US cents over the month. The dollar is 1.8 US cents below its level of one year ago.

	\$ millions	% change over	
		previous month	previous year
Exports	37,089	-0.9	4.9
- Exports to U.S.	31,563	-1.1	5.5
Imports	30,124	-1.4	-1.8
- Imports from U.S.	22,069	-1.1	-1.2
Trade Balance*	6,965	6,897	4,687
- Balance with U.S.*	9,494	9,605	7,586
Commodity Prices**	118.7	3.9	6.6
Canadian Dollar (US¢)*	65.0	65.1	66.8
Export Prices***	112.5	0.9	7.2
Import Prices***	107.4	0.3	3.9

* Data in levels only

* Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data

This Month's Feature Report: New Life for Canada's Clothing & Textile Industry

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada



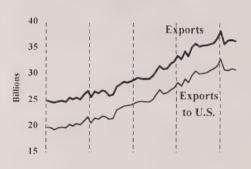
Trade balances remain strong

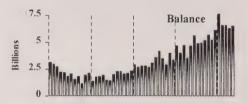
- The overall trade surplus increased marginally, up \$68 million over April levels, to almost 7.0 billion in May.
 - The surplus with the U.S. slipped \$111 million to \$9.5 billion last month.
- The trade balances with our other major trading partners improved over the month. Our deficit with the EU narrowed marginally, reaching \$1.0 billion for May, while the balance with Japan improved considerably registering a \$117 million surplus, compared to a deficit of \$212 last month.

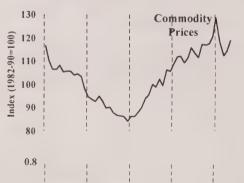
The Canadian dollar more-or-less held its ground

- The Canadian dollar edged 0.1 US¢ lower in value in May, reaching 65.0 US¢ for the month. The dollar was 1.8 US¢ lower than its rate in May of last year.
- Prices rose across the board export prices, import prices, and commodity prices were all up over the month.

Merchandise Trade









Source: Statistics Canada, Bank of Canada

Mouthly Crade Mulletin

w Life for Canada's Clothing & Textile Industry

Canadian Clothing & Textile industry has undergone dramatic restructuring...

- Between 1990 and 1993, the Clothing & Textile industry shed more than 42,000 employees about a third of its workforce.
- Since 1993, the industry has expanded its workforce by nearly 25,000 and increased output beyond 1990 levels.
- Wages have also increased, rising 28.6% since 1990 — well beyond the manufacturing average.

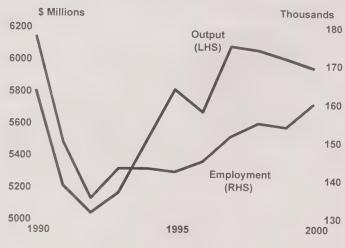
...and become much more outward oriented

- In 1990, less than 10% of Canada's Clothing & Textile output was exported. In 2000, nearly 40% is exported.
- Imports saw a similar increase, rising from 49% to 86%.

Definition of Clothing & Textiles

SIC 17	Leather & Allied Products
SIC 18	Primary Textiles
SIC 19	Textile Products
SIC 24	Clothing

Output and Employment in the Clothing and Textile Industry



Source: Statistics Canada

Outward Orientation of the Clothing and Textile Industry



Textile Industry Elothing

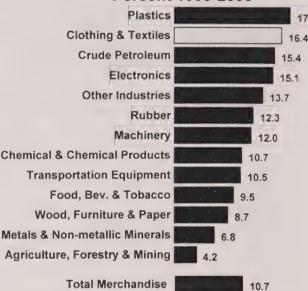
Canada's Clothing & Textiles exports boomed over the 1990s...

- Clothing & Textile exports jumped from \$1.5 billion in 1990 to \$6.8 billion in 2000, a more than four-fold increase.
- In the 1990s, Clothing & Textiles exports increased at an annual rate of 16.4% — nearly 6 percentage points faster than Canada's total merchandise exports.

...their share of total Canadian merchandise exports almost doubled

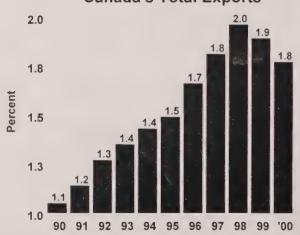
• The share of Clothing & Textiles in Canada's total merchandise exports increased from 1.1% in 1990 to a peak of 2.0% in 1998, before falling off slightly in 1999 and 2000.

Average Annual Growth of Canada's Exports by Industry, Percent 1990-2000



Source: Industry Canada compilations based on Statistics Canada data

Clothing & Textiles Share of Canada's Total Exports



Source: Industry Canada compilations based on Statistics Canada data

Page 4

Honthly Crade Rulletin Sew Life for Canada's Clothing & Textile Industry

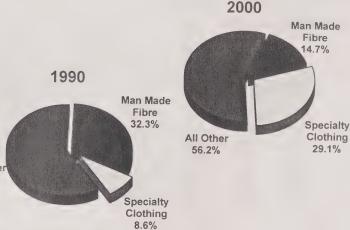
Clothing & Textile export growth was primarily driven by "specialty clothing" exports...

- "Specialty Clothing" includes Hosiery, Men/Boy Pants, Sweaters, Men/Boy Shirts & Underwear and Women's Sportswear.
- These five sub-industries accounted for only 8.6% of Clothing & Textile exports in 1990, but increased to 59.2% 29.1% by 2000.
- At the same time, Man Made Fibre sub-industry, which had the largest share in 1990, accounting for nearly a third of Clothing & Textile exports in 1990, declined to only 14.7% by 2000.

...all five sub-industries substantially increased their share of Clothing & Textile exports

- Sweaters, was the fastest growing sub-industry within Clothing & Textiles, which grew at an average annual rate of 42% over the 1990s and as a result, saw its share increase more than seven fold to 5.7%
- Even Women's Sportswear, the slowest growing among the five, grew at an average annual rate of more than 25%.

Industry Composition of Canada's Clothing & Textiles Exports



Source: Industry Canada compilations based on Statistics Canada data



Source: Industry Canada compilations based on Statistics Canada data

Altouthly Crade Rulletin

the for Canada's Clothing & Textile Industry

The U.S. takes almost 90% of Canada's Clothing & Textiles exports

- The U.S. share of Canada's Clothing & Textiles exports increased from 67.8% in 1990 to 88.8% in 2000.
- On the other hand, U.K.'s share declined from 3.2% in 1990 to just 0.8% in 2000.

More importantly, Canada more than doubled its share of the U.S. market

- Canada's share of U.S. Clothing & Textile imports increased from 1.8% in 1990 to 3.8% in 2000.
- Currently, Canada is the U.S.'s

 5th most important source for
 Clothing & Textile imports
 behind China, Mexico, Hong
 Kong and Italy.

 Mexic
 Hong Kong 3.9%
- Of the major exporting countries, only Mexico increased its share more than Canada.

Distribution of Canada's Clothing & Textiles Exports



Source: Industry Canada compilations based on Statistics Canada data

Distribution of U.S. Clothing & Textiles Imports 2000 China 19.8% Mexico 1990 11.9% Hong Kong China 5.2% Mexico 11.3% Italy 4.3% 11.1% Korea All Other 3.6% Italy 51.3% 6.5% 3.8% Korea All Other 16.6% 48.8%

Source: Industry Canada compilations based on data form the USITC

Hen the Canada's Clothing & Textile Industry

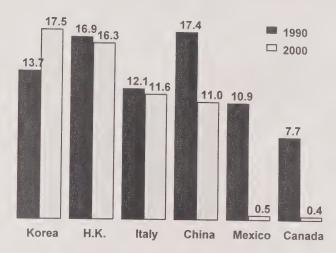
Tariff reductions under the FTA give Canada an advantage in the U.S. market...

- U.S. Clothing & Textile imports from China pay on average 11% in tariffs and duties, this gives Canada a special advantage in the U.S. market.
- With the introduction of NAFTA, Mexico has gained a similar advantage and has also seen rapid growth in its share of the U.S. Clothing & Textile market.
- This provides evidence that there may be some trade diversion effects resulting from region trade agreements, such as FTA/NAFTA, particularly in high tariff industries such as Clothing & Textiles.

...and improved productivity and the weak dollar also contributed to Canada's advantage

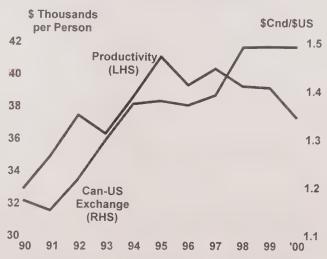
- Between 1990 and 2000, productivity in the Clothing & Textile industry increased 13.6%.
- During this period, the Canadian dollar depreciated by about 20% vis- à-vis the U.S. dollar.

U.S. Tariffs vs. Major Countries, Clothing & Textiles, Percent

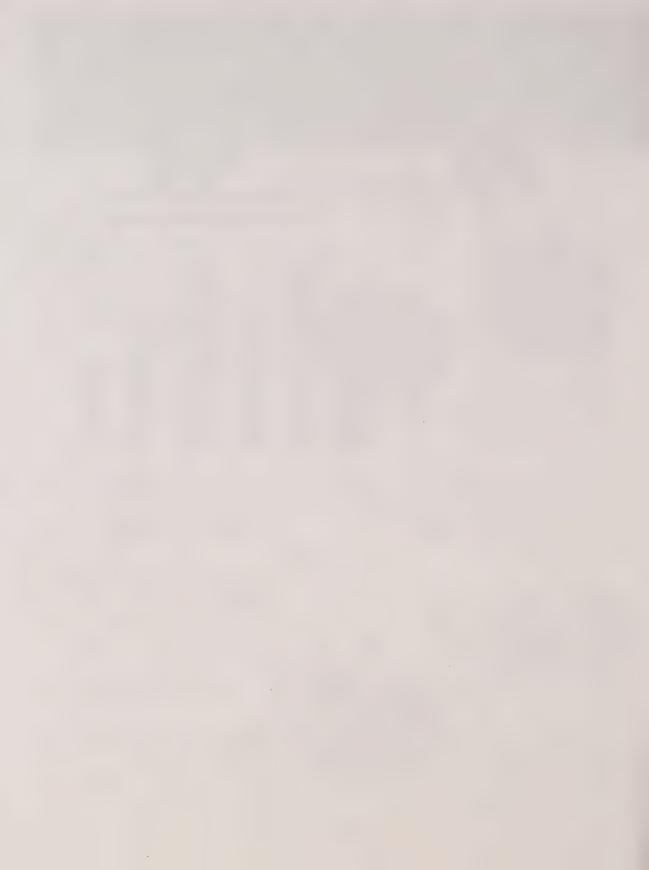


Note: Tariffs calculated from tariff duties collected / total imports Source: Industry Canada compilations based on data form the USITC

Productivity the Dollar



Source Industry Canada compilations based on OECD data and Statistics Canada data



Highlights

- In June, Canadian merchandise exports fell while imports rose slightly, resulting in a narrowing of Canada's overall trade surplus with the world.
- Similarly, a decline in merchandise exports to the U.S. along with an increase in imports from the U.S. reduced Canada's trade surplus with the U.S. in June.
- The Canadian dollar gained 1.1 U.S. cents over the month. Nevertheless, the dollar is 1.4 US cents below its level of one year ago.

	\$ millions	% change over	
		previous	previous
		month	year
Exports	36,113	-1.4	-0.1
- Exports to U.S.	30,672	-1.1	-0.2
Imports	30,315	0.8	-0.6
- Imports from U.S.	22,340	1.5	-1.0
Trade Balance*	5,798	6,536	5,635
- Balance with U.S.*	8,332	8,999	8,166
Commodity Prices**	113.9	-4.0	-1.6
Canadian Dollar (US¢)*	66.1	65.0	67.5
Export Prices***	110.4	-1.9	3.9
Import Prices***	106.7	-0.7	3.9

(June 2001)

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report:

The Revival of Canada's Furniture & Fixture Industry

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis, Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada

Data in levels only.

^{**} Index (1982-90 = 100)

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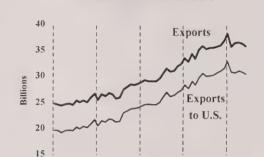


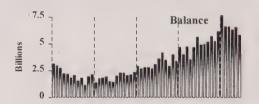
Trade balances weaken ...

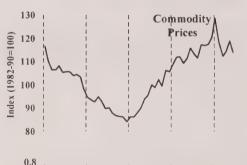
- The overall trade surplus fell \$738 million over May, to 5.8 billion in June.
 - ► The monthly surplus with the U.S. has fallen for the last two months in a row. The balance slipped \$667 million to \$8.3 billion in June.
- Monthly trade balances with most other major trading partners remain in deficit, except for Japan. Our deficit with the EU narrowed \$60 million to just over \$900 million for June, while the balance with Japan improved \$114 million to eke out a \$13 million surplus.

... as the Canadian dollar edges up

- The Canadian dollar edged up 1.1 US¢ in value in June, reaching 66.1 US¢ for the month. Nevertheless, the dollar remains 1.8 US¢ lower than its rate in June of last year.
- A sharp drop in commodity prices pulled both export prices and import prices lower over the month.









Source: Statistics Canada, Bank of Canada

Monthly Crade Pulletin

evival of Canada's Furniture & Fixture Industr

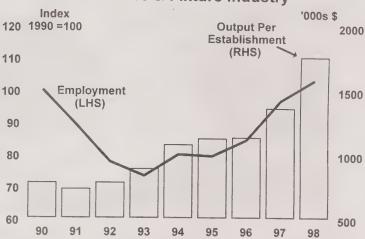
The Furniture & Fixture industry undertook dramatic restructuring in the 1990s...

- The recession of the early 1990s combined with increased competition following the introduction of the Canada-U.S. FTA had a substantial impact on Canada's Furniture & Fixture industry 15,000 jobs were lost (about 1/4 of the entire industry).
- The average establishment size in the Furniture & Fixture industry increased by nearly 2½ times in only eight years.
- Larger firms tend to be more productive exploiting economies of scale, and are better able to compete on international markets.

...and became much more outward oriented

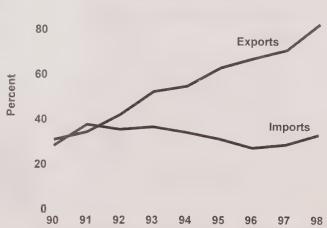
- The outward orientation (exports plus imports as a share of shipments) increased from less than 60% in 1990 to nearly 120% in 1998.
- This was entirely driven by the increase in export orientation which increased from 30% to 82% while imports remained relatively stable around 30%.

Restructuring of the Furniture & Fixture Industry



Source: Industry Canada compilations based on Statistics Canada Data

Trade as a Percentage of Shipments



Source: Industry Canada compilations based on Statistics Canada Data

Page 3

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Revival of Canada's Furniture & Fixture Industry

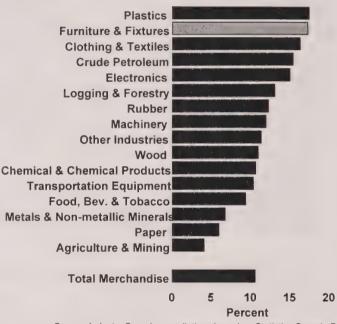
The Canadian Furniture industry has been one of our top export performers...

- Canada exported nearly \$6.9 billion worth of Furniture & Fixtures in 2000 — growing at an average annual rate of more than 17% over the 1990s.
 - ➤ This was the second fastest growth of all industries.

...and saw its share of Canadian exports nearly double

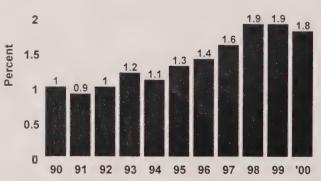
• The share of Furniture & Fixtures in total Canadian merchandise exports increased from 1% in 1990 to 1.8% in 2000.

Average Annual Growth of Canada's Exports by Industry, 1990-2000



Source: Industry Canada compilations based on Statistics Canada Data

Furniture and Fixtures Share of Canada's Total Merchandise Exports



Source: Industry Canada compilations based on Statistics Canada Data

Page 4

Monthly Crade Pattetin

evival of Canada's Furniture & Fixture Industr

Furniture & Fixture Industry Composition

All three major categories of furniture increased in share...

• The three major categories of furniture; household, office and industrial, all saw their share increase between 1990 and 2000 at the expense of "other" furniture and fixtures.

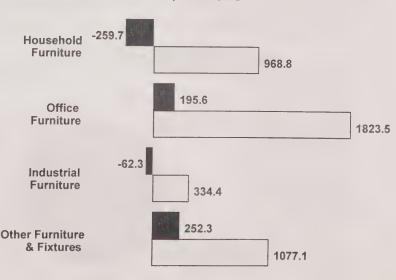
...and saw their trade balance increase

- The trade balance in Furniture and Fixtures increased from a small surplus of \$126 million in 1990 to more than \$4.2 billion in 2000.
 - ► All sub-sectors also posted large surpluses.



Source: Industry Canada compilations based on Statistics Canada Data

Trade Balances for Furniture & Fixture Industry, \$ Millions



Source: Industry Canada compilations based on Statistics Canada Data

Houthly Crade Pulletin Auganos Eurniture & Fixture Industry

But exports were highly concentrated in the U.S. market

• U.S. share of Canadian Furniture & Fixture exports has always been high, accounting for 96% of exports in 1990 and 97% in 2000.

Distribution of Canada's Furniture & Fixture Exports

1990

2000



Source: Industry Canada compilations based on data from USITC

China and Mexico outperformed us in the U.S. market

- Canada's share of U.S. imports increased only slightly, from 23% in 1990 to 24% in 2000.
- China and Mexico, our major competitors had 24% and 16% of the U.S. market respectively in 2000. China's share increased by more than twelve-fold in the 1990s. Mexico's share increased by more than 5 percentage points.

Distribution of U.S. Imports of Furniture & Fixtures

2000



Source: Industry Canada compilations based on Statistics Canada Data

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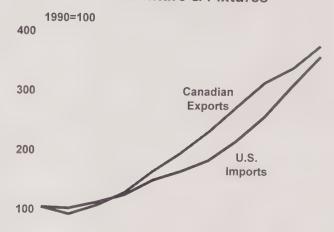
wival of Canada's Furniture & Fixture Industr

Index

Canada's strong export performance was driven by strong growth in U.S. demand...

• Between 1990 and 2000, exports of Furniture & Fixtures increased 375%, U.S. imports of these products increased 357%.

U.S. Imports and Canadian Exports of Furniture & Fixtures



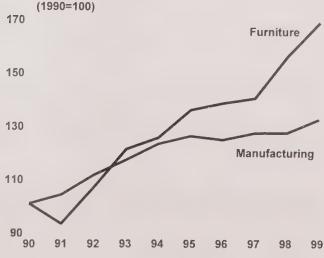
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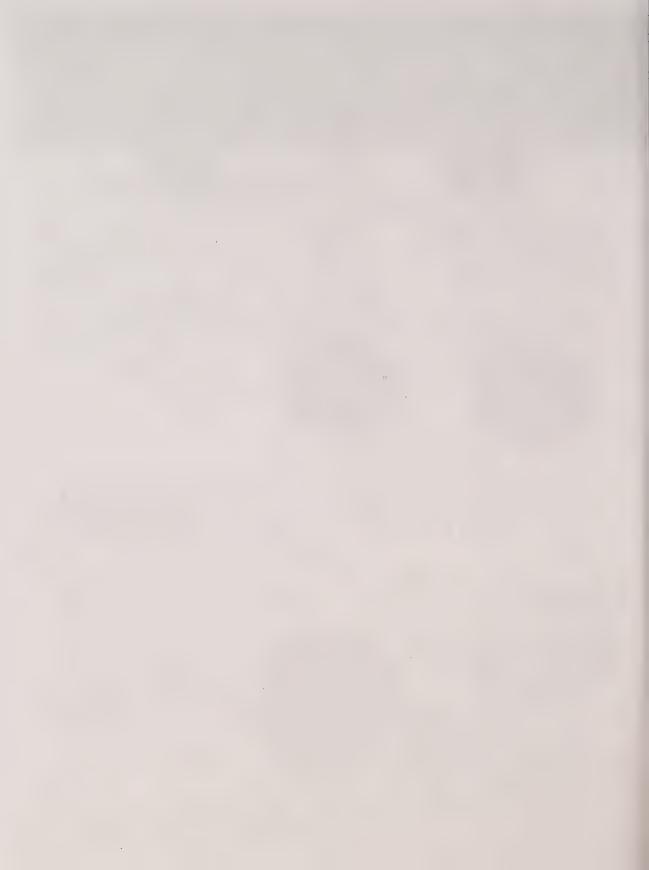
Source: Industry Canada compilations based on data from Statistics Canada and USITC.

Labour Productivity Growth

...and large increases in labour productivity growth

- Labour productivity growth in Furniture & Fixtures averaged 5.5% over the 1990s more than double the manufacturing average.
 - ➤ The Furniture & Fixture industry had the third fastest productivity growth of any manufacturing industry in Canada between 1990 and 2000 only Electrical & Electronics and Rubber did better.





Highlights

- In July, Canadian merchandise exports fell while imports remained unchanged, resulting in a narrowing of Canada's overall trade surplus with the world.
- A decline in merchandise exports to the U.S. combined with an increase in imports from the U.S. reduced Canada's trade surplus with the U.S. in July.
- The Canadian dollar dipped US 0.8¢ over the month, and is almost US 2.0¢ below its level of one year ago.

		% change over	
	\$ millions	previous	previous
	millions	month	year
Exports	35,535	-0.4	0.2
- Exports to U.S.	30,378	-0.9	0.7
Imports	30,182	0.0	-1.3
- Imports from U.S.	22,335	0.3	-0.1
Trade Balance*	5,353	5,493	4,892
- Balance with U.S.*	8,043	8,393	7,795
Commodity Prices**	104.6	-7.0	-7.6
Canadian Dollar (US¢)*	65.3	66.1	67.2
Formand D			
Export Prices***	110.7	0.1	2.8
Import Prices***	105.7	-0.7	2.6

(July 2001)

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report:

Canada - Japan Commercial Linkages: Recent Trends

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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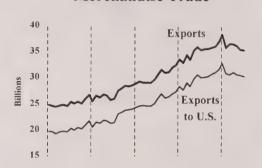


Trade balances diminish ...

- The overall trade surplus declined \$140 million over June levels, to 5.4 billion in July.
 - ► The monthly surplus with the U.S. has fallen for the last three months in a row. The balance slipped \$350 million to \$8.0 billion in July.
- Monthly trade balances with all other major trading partners remain in deficit. Our deficit with the EU narrowed \$176 million to just under \$800 million for July, while the balance with Japan widened \$67 million to a \$113 million deficit.

... as does the Canadian dollar

- The Canadian dollar slipped back into the 65-cent range, losing US 0.8¢ in value in July, to settle at US 65.3¢ for the month. The dollar is almost US 2.0¢ lower than its rate in July of last year.
- The decline in the dollar was likely precipitated by a sharp drop in commodity prices. Nonetheless, the terms of trade improved (i.e., the ratio of export prices to import prices) as export prices were up slightly while import prices fell over the month.









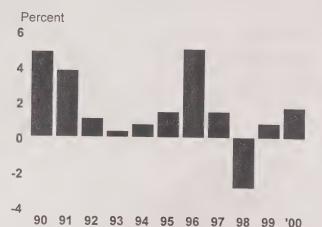
Source: Statistics Canada, Bank of Canada

Honthly Crade Bulletin September 2001 Capada - Japan Commercial Linkages: Recent Trends

The Japanese economy has been in a prolonged economic slump since 1992

- Between 1992 and 2000, the Japanese economy grew at an average annual rate of 0.9%.
- During the same period, the U.S. economy expanded at an average annual rate of 3.7%.

Japan's Real GDP Growth

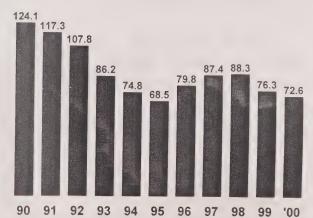


Source: Industry Canada compilations based on International Monetary Fund data

But, the Yen appreciated vis-à-vis the Canadian dollar

• The number of yen per Canadian dollar declined from 124.1 in 1990 to 72.6 in 2000, reducing Japan's cost competitiveness.

Yen per Canadian Dollar



Source: Industry Canada compilations based on Statistics Canada & OECD data

Monthly Crade Palletin

September 2001

Japan Commercial Linkages: Recent Trends

As a result, Canada's merchandise trade flows with Japan have not expanded a great deal...

- Canada's exports to Japan have reached \$9.2 billion in 2000, an increase of only \$1 billion since 1990.
 - ➤ Canadian exports to Japan peaked at \$12.1 billion in 1995 and 1996, before dropping off significantly.
- Imports from Japan increased from \$9.5 billion in 1990 to \$16.6 billion in 2000 a reasonably strong annual rate of growth of 5.7%, mainly due to relatively strong economic growth in Canada.

...resulting in a sharp decline in Japan's share of Canadian merchandise trade

- Japan's share of Canadian merchandise exports fell from 5.5% in 1990 to 2.2% in 2000.
- Similarly, Japan's share of Canadian merchandise imports fell from 7% in 1990 to 4.5% in 1996, before recovering slightly to 4.7% by 2000.

Canada's Merchandise Trade with Japan

20 Billions \$

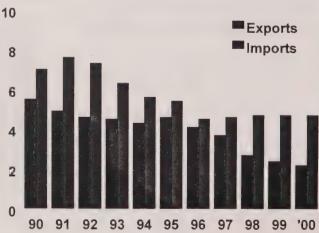


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Source: Industry Canada compilations based on Statistics Canada data

Japan's Share of Canadian Merchandise Trade

Percent



Source: Industry Canada compilations based on Statistics Canada data

Monthly Trade Mulletin

September 200

- Japan Commercial Linkages: Recent Trends

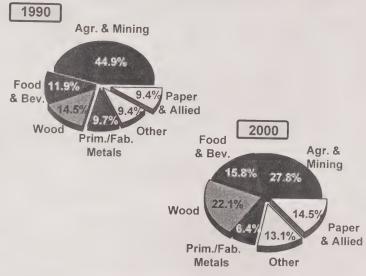
Canada's exports to Japan are mostly in resource and resource-based industries

- Resource and Resource-based industries account for nearly 87% of Canada's exports to Japan, although this has declined somewhat from 90% in 1990.
 - ➤ Nearly 30% of Canada's exports are in Agriculture and Mining, although this has declined considerably from almost 45% in 1990.
 - ➤ On the other hand, the importance of resource-based manufactured products such as wood and paper products increased significantly.

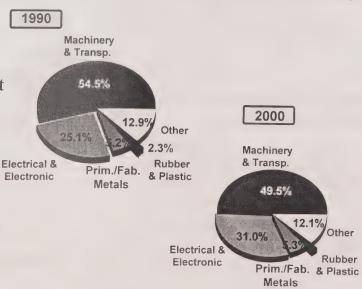
While Canadian imports from Japan are mostly in Machinery & Transportation Equipment and Electronics

- Machinery & Transportation Equipment accounted for about half of Canada's imports from Japan in 2000, down five percentage points from 1990.
- Electronics accounted for another 31% of imports from Japan in 2000, which was an increase of five percentage points from 1990 levels.

Canada's Merchandise Exports to Japan



Canada's Merchandise Imports from Japan



Monthly Trade Bulletin

September 2001

da - Japan Commercial Linkages: Recent Trends

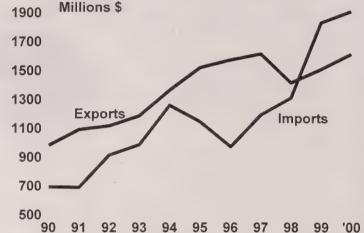
Canadian services trade with Japan has grown much faster than merchandise trade

- Canadian service exports to Japan rose from \$1 billion in 1990 to \$1.6 billion in 2000; an average annual rate of growth of 5.2% — nearly double that of merchandise exports.
 - This may be a result of growing investment linkages between the two countries.
- Canadian service imports from Japan rose at an even more rapid pace, increasing from \$0.7 billion in 1990 to \$1.9 billion in 2000, an average annual rate of growth of 10.9%.
 - As a result, the share of services in total exports to Japan rose from 10.5% to 14.7% while that of imports increased from 6.6% to 10.2%.

Export growth was driven by commercial services...

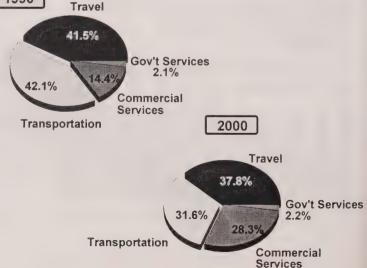
- The share of Commercial services in Canada's total service exports to Japan increased dramatically, from 14.4% in 1990 to 28.3% in 2000.
- The share of Transportation and travel services both fell.

Canada's Services Trade with Japan



Source: Industry Canada compilations based on Statistics Canada data

Canada's Exports of Services to Japan by Major Industry



1990

Honthly Crade Mulletin Septem 2001 Capada - Japan Commercial Linkages: Recent Trends Capada - Capad

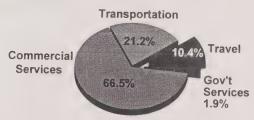
Canada's Imports of Services from Japan by Major Industry

1990

...as was import growth

- The share of commercial services in Canadian service imports from Japan increased tremendously, from 28.4% in 1990 to 66.5% in 2000.
- The share of all other major service groups fell over the same period.



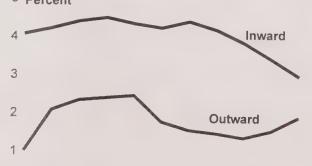


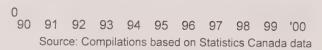
Canadian direct investment in Japan has increased considerably

- Canadian outward FDI in Japan increased from just \$0.9 billion in 1990 to \$5.5 billion in 2000. As a result Japan's share of Canadian outward FDI doubled during this period, reaching 2% in 2000.
- Japanese investment in Canada also increased, from \$5.2 billion in 1990 to \$8.4 billion in 2000. However, as a share in total Canadian inward investment, Japan declined from 4% to 3%.

Source: Compilations based on Statistics Canada data

Japan's Share of Canada's FDI Stock 5 Percent







Highlights

In August, a larger fall in exports relative to imports, resulted in a narrowing of Canada's overall trade surplus with the world.

Merchandise exports to the U.S. fell more than imports from the U.S.,

thus reducing Canada's trade surplus with the U.S. in August.

The Canadian dollar dipped U.S.0.8¢ over the month, and is

almost U.S.3.5¢ below its level of one year ago.

Exports	34,129	-3.5	-4.4
- Exports to U.S.	29,457	-2.7	-2.9
Imports	29,696	-0.8	-3.4
- Imports from U.S.	21,429	-2.4	-4.9
Trade Balance*	4,432	5,425	4,957
- Balance with U.S.*	8,027	8,319	7,792
Commodity Prices**	105.5	1.0	-5.5
0			
Canadian Dollar (US¢)*	64.5	65.3	68.0
Evnort Briggs***	407.0	0.0	
Export Prices***	107.2	-3.3	0.9
Import Prices***	106.5	0.7	3.1

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Trade with Least Developed Countries

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry

Industrie Canada

^{*} Data in levels only.

^{**} Index (1982-90 = 100)

^{***} Index 1997 = 100

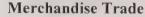


Trade balances shrink ...

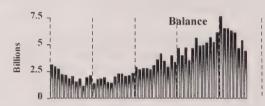
- The overall trade surplus fell by almost \$1 billion over July levels, to \$4.4 billion in August.
 - ► The monthly surplus with the U.S. also fell over August. The balance slipped \$292 million to just above \$8.0 billion in August.
- Monthly trade deficits with all other major trading partners increased. Our deficit with the E.U. expanded \$314 million to just under \$1.3 billion for August, while the balance with Japan widened \$159 million to a \$326 million deficit.

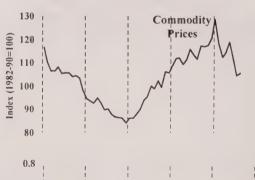
... as does the value of the Canadian dollar

- The Canadian dollar lost U.S.0.84¢ in value in August after having fallen U.S.0.8¢ the previous month. The dollar is almost U.S.3.5¢ lower than its rate in August of last year.
- The decline in the dollar was accompanied by a decline of the terms of trade (i.e., the ratio of export prices to import prices) as export prices fell while import prices were up slightly over the month. Commodity prices, however, managed to rise over the month.











Source: Statistics Canada, Bank of Canada

Monthly Trade Pulletin

October 2001

-

pada's Trade with Least Developed Country



- Forty-nine countries, are currently identified as a "least developed country" (LDC) under the United Nations (U.N.) classification. The majority of these countries (88%) lie within the African and Asian continent. LDCs account for nearly a quarter of the world in terms of the number of countries and more than one tenth in terms of population. However, their share of world Gross Domestic Product (GDP) is less than one percent.
- The World's developed countries help LDCs develop economically and socially through special tariffs, foreign aid and investment.
- According to the U.N. definition, in order to qualify as an LDC,, a country must meet all of the following criteria:
 - A low-income criteria based on a three year average estimate of per capita
 GDP (under \$900 for inclusion, above \$1,035 for graduation).
 - A human resource weakness criteria, which measures nutrition, health, education and adult literacy.
 - An economic vulnerability criteria, which measures the instability of agricultural production, exports of goods & services, the economic importance of non-traditional activities, merchandise export concentration and the handicap of economic smallness.
 - A population of less than 75 million.

Monthly Crade Mulletin

October 2001

ada's Trade with Least Developed Countries

LDC's GDP grew at a considerably stronger pace in the second half of the 1990's...

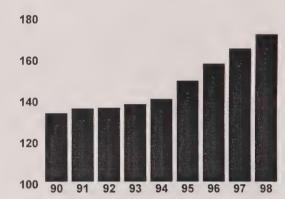
- In 1998, the combined GDP of the LDCs was U.S.\$170 billion, approximately 1/4 of the Canadian GDP.
- LDC's combined GDP increased at an average annual rate of 4.4% between 1996 and 1998, doubling the rate of the first half of the 1990's.

...but due to rapid population growth, the improvement in their standard of living has been weak

- The combined population of the 49 LDCs was approximately 619 million in 1998, with an average per capita GDP of U.S.\$274.5.
 - By comparison, Canada's per capita
 GDP in 1998 was U.S.\$20.4 thousand.*
- Over the last ten years, LDC's population increased at an average annual rate of 2.4%. As a result, only a slight improvement has been made in the living standards.

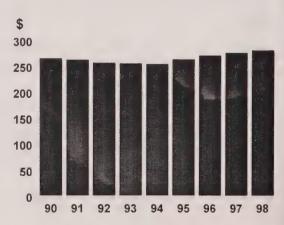
LDC's Real GDP (constant 1995 U.S.\$)

Billions \$



Calculations do not include Senegal and Tuvalu Source: Compilations based on data from the World Bank

LDC's Real GDP per Capita (constant 1995 U.S.\$)



GDP per capita does not include Senegal and Tuvalu Source: Compilations based on data from the World Bank and Statistics Canada

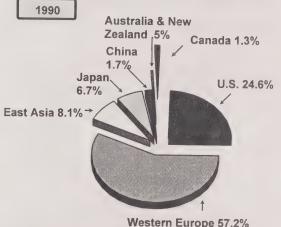
Monthly Trade Pulletin

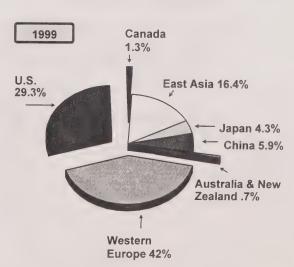
neda's Tradewith Least Developed Countries

Distribution of LDC Merchandise Exports by Selected Region

Western Europe still takes the lion's share of exports from LDCs

- LDC's exports increased from U.S.\$18 billion in 1990 to U.S.\$23 billion in 1999.
- Western Europe was the most important destination for exports in 1999 from LDCs at 42%, however, this has declined from 57.2% in 1990.
- United States experienced an increase in its share of exports from LDCs, rising from 25% in 1990 to over 29% in 1999. This is most likely attributable to the U.S.' strong economic growth over the 1990's.
- Canada's share of LDC's merchandise exports remained constant at 1.3% over the 1990's.
- Many advanced nations including Canada, U.S. and E.U. provide preferential tariff treatment for LDCs, include zero tariff rates on many products.





Altouthly Crade Pulletin

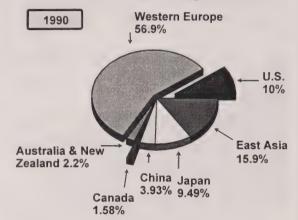
October 2001

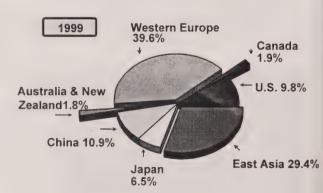
nada's Trade with Least Developed Countries

LDCs also import largely from Western Europe

- LDC's imports grew by U.S.\$5 billion between 1990 to 1999, reaching U.S.\$23 billion in 1999.
- Western Europe accounts for the largest share at 39.6%, but its share has fallen 17 percentage points over the 1990's.
- China's share of LDC's imports more than doubled during the 1990's and now stands at 10.9% - which is larger than that of the U.S.
- Over the last ten years, Canada's exports to LDCs increased by over \$150 million, and now account for almost 2% of LDC's imports.
- Imports from East Asia doubled in size over the 1990's.

Distribution of LDC Merchandise Imports by Selected Region





October 2001

nada's Tradeswith Least Developed Countries

Canada's Merchandise Exports & Imports with LCDs*

Canada's trade with LDCs has increased significantly...

- Canada's exports to LDCs increased over the past decade, rising by \$50 million for a total export value of \$334 million in 2000.
- Canadian imports from LDCs totaled \$357 million in 2000, compared to \$240 million in 1990.

...however, their share of Canada's total trade declined considerably

 Over the past decade, LDC's share of Canadian imports and exports have dropped by half and now stand at .1% and .09% respectively.



0 90 91 92 93 94 95 96 97 98 99 '00 Exports & Imports do not include Senegal and Myanmar Source: Compilations based on data from Statistics Canada

LDC's Share of Canada's Merchandise Imports and Exports*



0 90 91 92 93 94 95 96 97 98 99 '0

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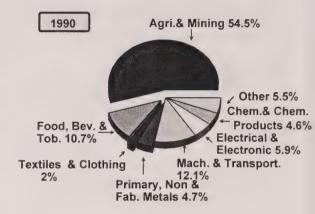
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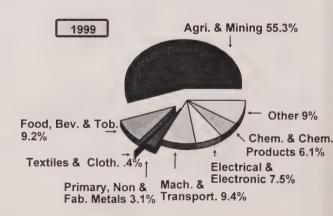
nada's Trade with Least Developed Countries

More than two-third of Canada's exports to LDCs are in resource and resource-based industries

- Agricultural and Mining products represent over 55% of Canada's exports to LDCs. Total value increased from \$140 million in 1990 to \$215 million in 1999.
- The commodity structure of exports more or less remained the same over the 1990s.

Canada's Merchandise Exports to LDC's by Industry





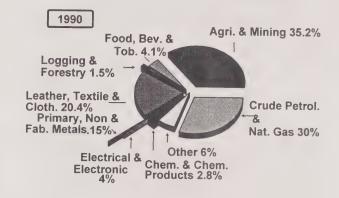
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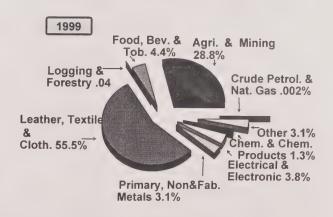
nada's Trade with Least Developed Countries

Leather, Textiles and Clothing account for over 50% of imports from LDCs

- Canada allows duty-free access on a
 wide range of products from "least
 developed countries". However, these
 countries first need to qualify for the
 General Preferential Tariff (GPT). But,
 most textiles, apparel, some agricultural
 products, refined sugar and some
 industrial goods are not covered under
 GPT.
- Leather, Textile and Clothing products more than doubled their share of imports from LDCs over the 1990's. In 1990, imports were valued at \$48.1 million compared to \$173.1 million in 1999.
 Their share of Canadian imports from LDCs increased from 20.4% in 1990 to over 55% in 1999.
- On the other hand, the contribution of crude petroleum and natural gas imports fell from 30% in 1990 to almost 0% in 1999, mainly because of civil unrest in Angola, the main oil exporter.

Canada's Merchandise Imports from LDCs by Industry





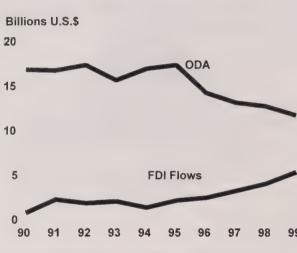
October 2001

rada's Trade with Least Developed Countries

Foreign direct investment (FDI) flows in LDCs increased by almost nine fold in the 1990's

- FDI in LDCs have increased substantially over the past 10 years from \$0.6 billion in 1990 to \$5.2 billion in 1999.
- On the other hand, official development assistance (ODA) to LDCs is declining in importance. They received only \$11.6 billion of ODA in 1999, compared to \$16.7 billion in 1990.
- France and United Kingdom are the principal sources of FDI in African LDCs. However, European countries as a whole, represent the main source of FDI in most LDCs.

World FDI and ODA to LDCs



Source: Compilations based on data from UNCTAD and DFAIT

Countries currently listed by the U.N. as an LDC are:

Afghanistan	Angola	Haiti	Mozambique
Bangladesh	Benin	Kiribati	Myanmar
Bhutan	Burkina Faso	Zambia	Yemen
Burundi	Cambodia	Lesotho	Nepal
Cape Verde	Central African Rep.	Liberia	Niger
Chad	Comoros	Madagascar	Rwanda
Democratic Rep. of the Congo	Djibouti	Malawi	Samoa
Equatorial Guinea	Eritrea	Maldives	Sao Tome and Principe
Ethiopia	Gambia	Mali	Senegal
Guinea	Guinea-Bissau	Mauritania	Sierra Leone
Solomon Islands	Somalia	Sudan	Togo
Tuvalu	Uganda	Vanuatu	United Rep. of Tanzania
Lao People's Democratic Rep.			

Highlights

- In September, Canadian merchandise imports fell more than exports resulting in a widening of Canada's overall trade surplus with the world.
- Merchandise imports from the U.S. also fell more than did exports to the U.S., thus increasing Canada's trade surplus with the U.S. in September.
- The September 11 terrorist attacks on the U.S. caused temporary delays in the flow of goods between the two countries.
- The Canadian dollar dipped 1.1 US cents over the month, and is almost 3.2 US cents below its level of one year ago.

Exports	33,080	-1.7	-7.4
- Exports to U.S.	1		
- LAPORS to 0.5.	28,198	-2.1	-7.3
imports	28,368	-4.6	-7.1
- Imports from U.S.	20,433	-4.4	-8.8
Trade Balance*	4,713	3,914	5,193
- Balance with U.S.*	7,765	7,415	8,028
	,,,,,	1,710	0,020
Commodity Prices**	99.5	-5.7	4.5
Commodity Frices	99.5	-5.7	-14.5
Canadian Dollar (US¢)*	63.4	64.5	66.5
Export Prices***	105.1	-0.9	-1.4
Import Prices***	105.7	-0.6	2.4

Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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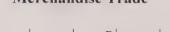
Industry Canada Industrie Canada

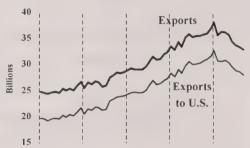
Trade balances expand ...

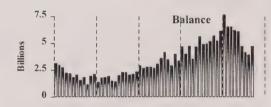
- The overall trade surplus increased by almost \$800 million over the level recorded for August, to 4.7 billion in September.
 - The monthly surplus with the U.S. also expanded over the month. The balance improved \$350 million to just below \$7.8 billion in September.
- Monthly trade balances with all other major trading partners remain in deficit. Our deficit with the EU expanded \$86 million to just over \$1.3 billion for September, while the balance with Japan narrowed \$258 million to a \$54 million deficit.

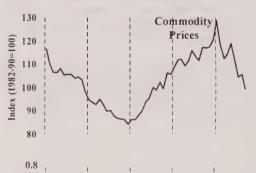
... as the value of the Canadian dollar continues to slide downwards

- The Canadian dollar lost 1.1 US¢ in value in September after having fallen 0.8 US¢ for each of the previous two months. The dollar is almost 3.2 US¢ lower than its rate in September of last year.
- In step with the decline in the dollar, prices fell across the board as export prices, import prices, and commodity prices all fell over the month.











Source: Statistics Canada, Bank of Canada

Highlights

- In October, Canadian merchandise exports fell more than imports, thus diminishing Canada's overall trade surplus with the world.
- Merchandise exports to the U.S. also fell faster than did imports from the U.S. resulting in a narrowing of Canada's trade surplus with the U.S. in October.
- The Canadian dollar dropped a further 0.5 US cents over the month, and is 2.7 US cents below its level of October, one year ago.

	s	% change over		
	millions	previous month	previous year	
Exports	32,373	-1.0	-10.1	
- Exports to U.S.	28,196	-1.6	-11.0	
Imports	27,466	-0.6	-7.0	
- Imports from U.S.	20,275	-0.6	-9.0	
Trade Balance*	4,178	4,311	5,700	
- Balance with U.S.*	7,192	7,525	8,582	
Commodity Prices**	89.3	-10.3	-23.5	
Canadian Dollar (US¢)*	62.9	63.4	65.7	
Export Prices***	104.5	-0.4	-3.2	
Import Prices***	105.3	-0.4	0.3	

(October 2001)

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report:

U.S. - Canada Linkages: An American Perspective

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis, Feature report prepared by Aaron Sydor and Carolyn Mac Leod of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada

Data in levels only.

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Volume 1 Number 10

December 2001

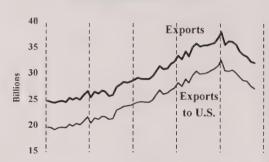
Trade balances fall ...

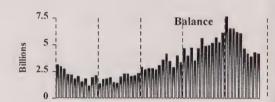
- The overall trade surplus fell by \$133 million to \$4.2 billion in October.
 - ➤ The monthly surplus with the U.S. also contracted over the month. The balance dropped \$333 million to just below \$7.2 billion in October.
- Monthly trade balances with all other major trading partners remain in deficit. Our deficit with the EU expanded \$31 million to just over \$1.3 billion for October, while the balance with Japan increased \$65 million to a \$149 million deficit.

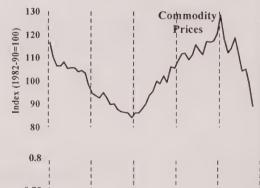
... and the value of the Canadian dollar continues to fall

- The Canadian dollar fell for the fourth straight month in October as it lost a further 0.5 US¢ in value over the month. The dollar is slightly more than 2.7 US¢ lower than its rate in October of last year.
- Export, import and commodity prices fell across the board for the second consecutive month.

Merchandise Trade









Source: Statistics Canada, Bank of Canada

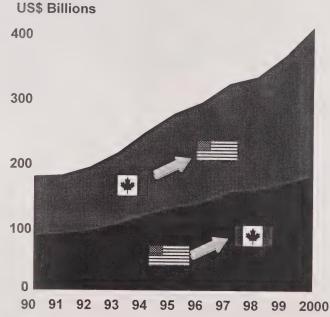


Note: All values presented in this special report are in U.S. dollars

U.S.-Canada trade has more than doubled over the 1990s

- More the \$1 billion in trade crosses the U.S.-Canada border every day.
- In 1990, exports to Canada amounted to close to \$83 billion dollars and increased to \$176 billion in 2000, an average annual growth of 8%.
- Imports from Canada, on the other hand, grew by close to 10% per year in the 1990s, reaching \$229 billion in 2000.

U.S.-Canada Trade



Source: USITC

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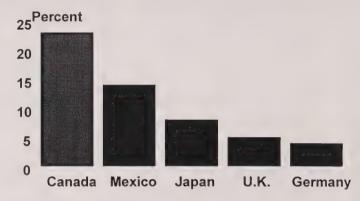
December 2001

Canada Linkages: An American Perspective

Canada is the U.S.'s most important destination for exports...

• In 2000, Canada took 23% of total U.S. exports, by far the largest share among all countries - twice that of Mexico and three-times that of Japan.

Top-5 Destinations for U.S. Exports, 2000

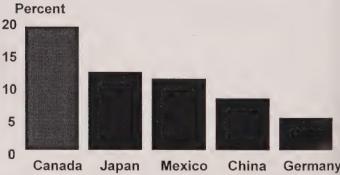


Source: USITC

...and greatest source of imports

 Canada also made up close to 20% of total imports of the U.S. Japan and Mexico both had about 12% of total U.S. imports, in 2000.

Top-5 Sources of U.S. Imports, 2000



Source: USITC

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Number 10

December 2001

American Perspective

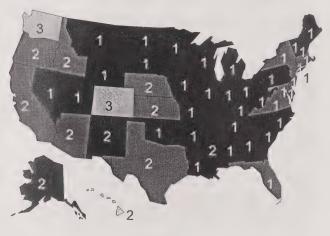
Canada is the most important export destination for 37 of 50 U.S. states

- For 37 U.S. states, Canada is the most important market for exports.
- 18 states send more than 30% of their exports to Canada.

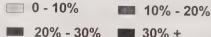
Much of U.S. - Canadian trade is intra-corporate

- Intra-corporate trade accounted for about 40% of total U.S.-Canada trade in 1998 - about \$125 billion dollars.
 - The transportation equipment industry, including auto manufacturers, makes up more than half of this total.

Canada's Share of U.S. State Global Exports (%) and Rank as an Export Market

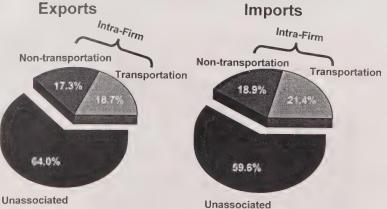


Share



30% +

U.S. Intra-firm Trade with Canada, 1998



Source: USBEA Page 5

Matterne A Number 10

December 2001

Canada Linkages: An American Perspective

Cross-border truck traffic has increased substantially between 1994 and 2000...

• In 1994, close to 5 million trucks crossed the Canada-U.S. border. By 2000, the number of truck crossings had increased to 7 million, an increase of 40% in just 6 years.

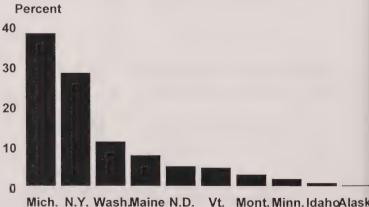
...but only a few crossing points handle most of the traffic

- Close to 70% of the traffic passed through Michigan and New York.
- The three busiest border crossings account for nearly half of all cross-border truck traffic.

Truck Crossings at the Canada-U.S. Border



Truck Crossings by State, 2000



^{*} loaded and unloaded trucks

Voiume 3 Number 10

December 2001

Canada Linkages: An American Perspect

U.S.-Canada Direct Investment*

US\$ Billions

250

Canada-U.S. direct investment has also grown rapidly over the 1990s

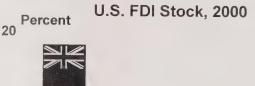
- Canadian direct investment in the U.S. increased at an average annual rate of 13.1% over the 1990s significantly faster than trade, reaching \$100 billion in 2000.
- In 2000, the U.S. had \$126 billion invested in Canada, compared to less than \$70 billion in 1990.

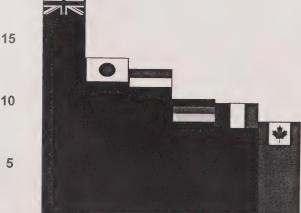
200 150 100 50 90 91 92 93 94 95 96 97 98 99 '00

* Stock Source: Bureau of Economic Analysis

Canada is now one of the U.S.'s most important sources for foreign direct investment

- In 2000, Canada ranked sixth highest in terms of its total FDI in the U.S.
- Canada's total stock of FDI in 2000 amounted to \$101 billion — just over 8% of the total investment in the U.S.
 - The United Kingdom accounted for the largest share of investment in the U.S. at 18.5% in 2000.

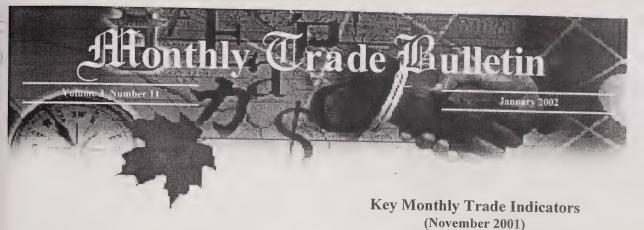




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Page 7 Source: USBEA

U.J.-Canava Phete myesunem



Highlights

- Rising merchandise exports and falling imports caused Canada's overall trade surplus with the world to rise in November.
- On the other hand, with the U.S. falling merchandise exports together with rising imports resulted in a narrowing of the bilateral trade surplus in November.
- The Canadian dollar rebounded some US0.6¢ over the month; nonetheless, it remains US1.5¢ below its level of November, a year earlier.

		- D/		
	s	% change over		
	millions	previous	previous	
	millons	month	year	
Exports	32,652	1.3	-9.8	
- Exports to U.S.	27,209	-0.4	-12.8	
Imports	28,090	-0.3	-9.3	
- Imports from U.S.	20,438	0.7	-9.3	
Trade Balance*	4,562	4,063	5,244	
- Balance with U.S.*	6,772	7,019	8,679	
Commodity Prices**	90.9	0.9	-22.6	
Canadian Dollar (US¢)*	63.6	62.9	65.1	
Export Prices***	102.6	-1.1	-5.7	
Import Prices***	104.1	-0.9	-3.0	

^{*} Data in levels only.

This Month's Feature Report: Canada's Trade in Services

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada

^{**} Index (1982-90 = 100)

^{***} Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data

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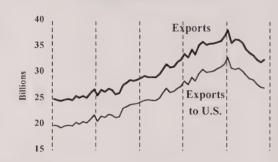
The overall trade balance rises ...

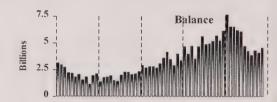
- . The overall trade surplus was up half a billion dollars to \$4.6 billion in November.
 - The monthly surplus with the US contracted for the second month in a row. The balance dropped \$241 million to just below \$6.8 billion in November.
- · Monthly trade balances with all other major trading partners improved over the month. but remain in deficit. Our deficit with the EU contracted \$357 million to \$908 million for November, while the deficit with Japan narrowed \$24 million to a \$132 million deficit.

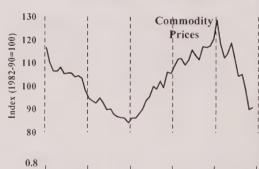
... as does the value of the Canadian dollar

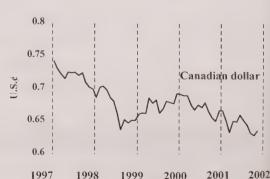
- The Canadian dollar rose US0.6¢ in value over the month of November. The dollar is slightly more than US1.5¢ lower than its rate one year earlier.
- Export and import prices continue to slide while commodity prices edged up slightly after two months of steep cuts.

Merchandise Trade









1999

Source: Statistics Canada, Bank of Canada

2001

2000

Canada's Trade in Services

The service sector accounts for more than two-thirds of GDP...

• The service sector now accounts for more than two-thirds of GDP, up just over one percentage point since 1990.

Share of Services in GDP*, 2000



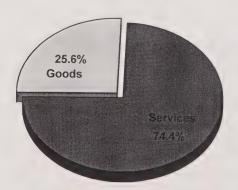
Total GDP*: 786,838 Million

* GDP at factor cost, 1992 prices Source: Compilations based on Statistics Canada Data

...and almost three-quarters of employment

- More than 11 million Canadians are employed in the service sector, nearly three-quarters of total employment - up three percentage points since 1990.
- The service sector has consistently outperformed the goods sector in terms of employment growth.
 - ▶ Between 1990 and 2001, employment in the goods sector grew at an average annual rate of 0.2%, compared to 1.7% for the service sector.

Share of Services in Employment, 2001



Total Employment: 15,076,700

Source: Compilations based on Statistics Canada Data

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Service Payments

Canada's Trade in Services

80

The service trade deficit narrowed...

- Service receipts (exports) rose at an average annual rate of 9.5% over the 1990s to reach \$55.3 billion in 2000, while payments rose 6.5% annually to reach \$62.0 billion in 2000.
- The service account balance improved in the 1990s. In 2000, the trade deficit in services was about \$6.7 billion, compared to a peak of more than \$13 billion in 1993.
- The service trade deficit is close to evenly split between the three major service components travel, transportation and commercial services.

...in response to a declining dollar

 As the value of the Canadian dollar depreciated over the 1990s, service exports increased faster than service imports, improving Canada's service account balance.

Service Trade Balance

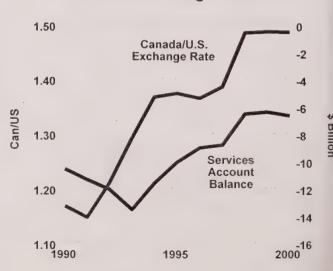






Source: Compilations based on Statistics Canada data

Services Trade Balance vs. Can/U.S. Exchange Rate



Page 4 Source: Compilations based on Statistics Canada data

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Canada's Trade in Services

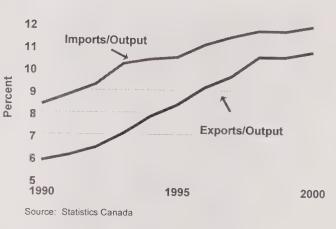
Share of trade to gross output in services

Trade has been a small but steadily growing component of the service sector...

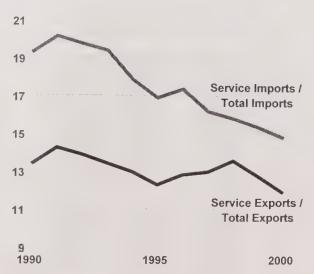
- The importance of trade (both exports and imports) to the service sector has been increasing steadily throughout the 1990s.
 - ➤ The share of exports to output has increased from 5.8 percent in 1990 to 10.7 percent in 2000 while the share of imports to output increased from 8.4 percent to 11.9 percent.
 - ➤ This still falls considerably short of the manufacturing sector which exported 56 percent of total shipments in 2000.

...although the relative importance of services in Canada's total trade has declined markedly in the 1990s

- The relative importance of services in Canada's exports and imports declined substantially in the 1990s — falling from over 16 percent in 1990 to 14 percent in 2000.
 - ➤ This is a result of strong growth of trade in goods over the 1990s.



Share of Services in Total Trade



Source: Compilations based on Statistics Canada data

'anada's Trade in Services

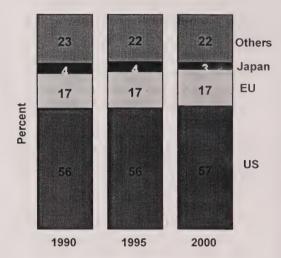
The US remains the dominant market for Canada's service exports...

- The US continues to be the dominant destination of Canada's service exports, accounting for 57 percent of total service exports.
 - ➤ Canada's service exports are much more diversified than is merchandise exports where nearly 87 percent of exports is bound for the US and unlike merchandise trade, the importance of the US has not changed much over the past decade.

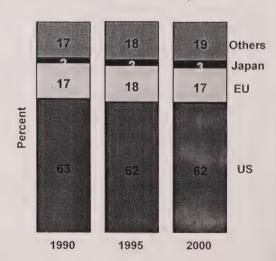
...and source for service imports

- The US remains the dominant source of service imports into Canada.
 - ➤ The US accounts for a slightly higher share of service imports than for exports.

Geographical Distribution of Canada's Service Exports



Geographical Distribution of Canada's Service Imports



Canada's Trade in Services

Exports of commercial services gained importance while exports of transportation and travel services lost ground

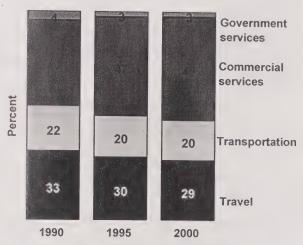
- Between 1990 and 2000, the share of commercial service exports in total service exports rose by 19 percentage points to 49 percent, at the expense of transportation and travel services.
- Commercial services include telecommunications; computer and information services; insurance and financial services; management consultant services; R&D services; and, intellectual property services and royalties.

Commercial service imports have also increased in importance

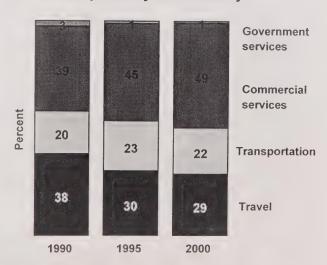
• The importance of commercial service imports rose in the last decade — increasing in share by 10 percentage points to 49 percent in 2000, at the expense of all other services.

Distribution of Canada's Service Exports by Commodity

January 2002



Distribution of Canada's Service Imports by Commodity



Source: Compilations based on Statistics Canada data

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Canada's Trade in Services

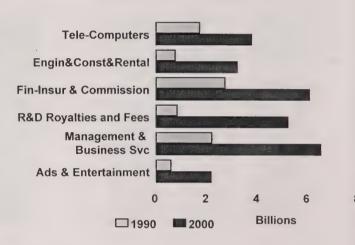
R&D, Royalties and Fees and Engineering & Construction showed the strongest growth among Canada's commercial service exports

- Management & Business Services along with Finance & Insurance account for nearly half of Canada's service exports, although the importance of R&D Royalties & Fees has seen its share more than double over the 1990s.
- R&D, Royalties and Fees grew 19.6 percent on average over the 1990s, while Engineering & Construction grew 15.0 percent.

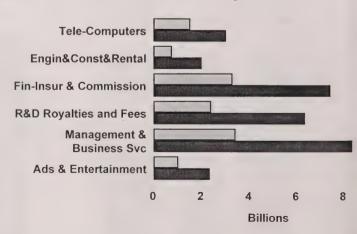
Most of Canada's service imports were in Management and Finance

- Management and Finance together accounted for more than half of Canada's service imports in 2000 as well as the majority of Canada's deficit in commercial services trade.
- Similar to exports, R&D Royalties & Fees was the fastest growing industry.

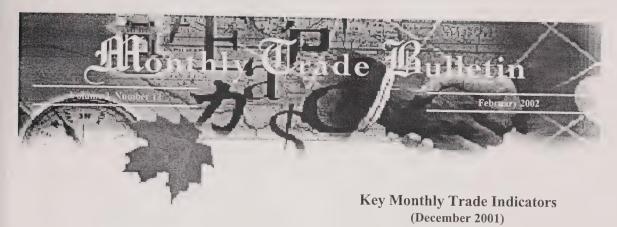
Commercial Service Receipts



Commercial Service Payments



Source: Compilations based on Statistics Canada data



Highlights

- With merchandise imports falling faster than exports, Canada's overall trade surplus with the world increased in December.
- Similarly, merchandise imports from the U.S. fell faster than merchandise exports to the U.S., resulting in a widening of the bilateral trade surplus in December.
- The Canadian dollar lost nearly 0.8 US¢ in value over the month as it fell to a value that was 3.9 US¢ below its level of December 2000.

		% change over			
	millions	previous month	previous year		
Exports	32,014	-1.2	-13.7		
- Exports to U.S.	26,803	-0.1	-15.7		
Imports	27,474	-1.8	-11.4		
- Imports from U.S.	20,039	-1.6	-11.2		
Trade Balance*	4,540	4,414	6,133		
- Balance with U.S.*	6,763	6,476	9,208		
Commodity Prices**	87.8	-3.4	-27.1		
. ,					
Canadian Dollar (US¢)*	62.8	63.6	66.7		
Export Prices***	101.4	-1.4	-11.8		
Import Prices***	104.6	-1.0	-1.1		

- * Data in levels only.
- ** Index (1982-90 = 100)
- *** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data

This Month's Feature Report:

Canada's Trade Linkages with the U.S. North-East

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada





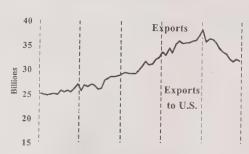
The overall trade balance rises ...

- The overall trade surplus was up \$126 million dollars to \$4.5 billion in December.
 - The monthly surplus with the U.S. widened in December after two monthly contractions. The balance rose \$287 million to just below \$6.8 billion in December.
- Monthly trade balances with all other major trading partners deteriorated over the month, and remain in deficit. Our deficit with the EU widened \$370 million to \$1.25 billion for December, while the balance with Japan broadened some \$59 million to a \$168 million deficit.

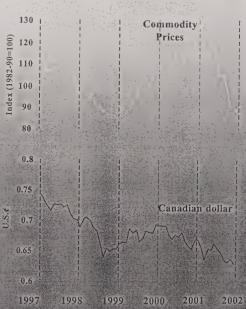
... while the value of the Canadian dollar resumed its flight downwards

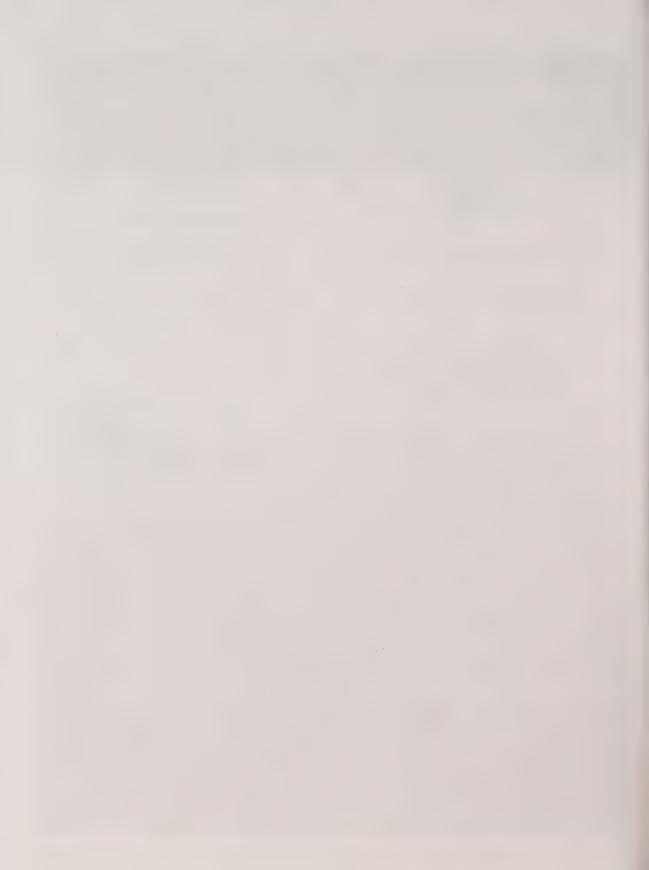
- The Canadian dollar fell almost 0.8 US¢ in value over the month of December, to settle at a value that is more than 3.9 US¢ lower than its level in December 2000.
- In lock-step with the decline in the value of the Canadian dollar, export, import, and commodity prices fell across the board.

Merchandise Trade









ada's Trade Linkages with the U.S. North-East

North-East Region is a large and prosperous market for Canadian exports

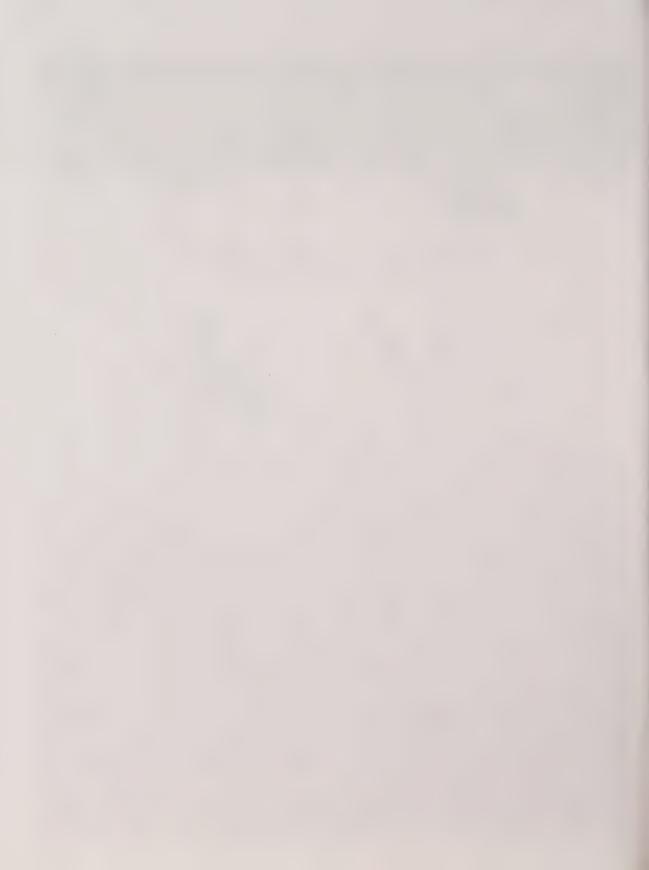


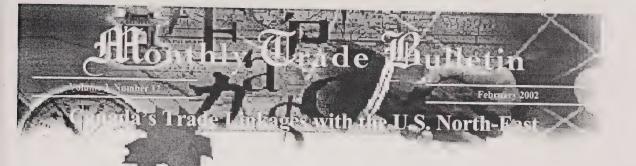


North-East Region

	Population	GDP (millions U.S.\$, 1999)	GDP per Capita (\$)	Land Area (miles sq.)	GDP Growth (% 1995-1999)
NEW YORK	18,976,457	728,908	38,411	47,214	4.6
PENNSYLVANIA	12,281,054	364,899	29,712	44,817	3.1
MASSACHUSETTS	6,349,097	251,861	39,669	7,840	5.9
NEW JERSEY	8,414,350	315,425	37,487	7,417	3.5
VERMONT	608,827	16,592	27,252	9,250	4.1
MAINE	1,274,923	32,306	25,340	30,862	3.4
CONNECTICUT	3,405,565	145,274	42,658	4,845	4.7
NEW HAMPSHIRE	1,235,786	43,469	35,175	8,968	7.4
RHODE ISLAND	1,048,319	30,631	29,219	1,045	0.0
TOTAL	53,594,378	1,929,365	35,999	162,258	4.2

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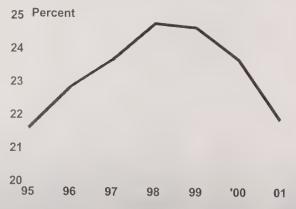
But, it's share of total Canadian merchandise exports to the U.S. fell significantly in recent years

- Canadian merchandise exports to the region were up almost \$29 billion since 1995 and stood at \$70.8 billion in 2001 (about 22% of our total exports to the U.S.)
- But, the North-East region's share of total Canadian merchandise exports fell by nearly three percentage points between 1998 and 2001, after rising about the same amount in the three years prior.

Similarly, its share of total Canadian merchandise imports has steadily declined in importance

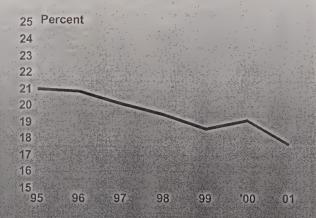
- Canada imported \$38.2 billion from the North-East region in 2001, only slightly more than \$31.3 billion imported in 1995.
- The North-East region's share of total Canadian merchandise imports has steadily declined from 21% in 1995 to less than 18% in 2001
- Canada enjoys huge trade surplus with the North-East of \$32.6 billion, the largest of any U.S. region.

North-East Region's Share of Canada's Total Merchandise Exports to the U.S.



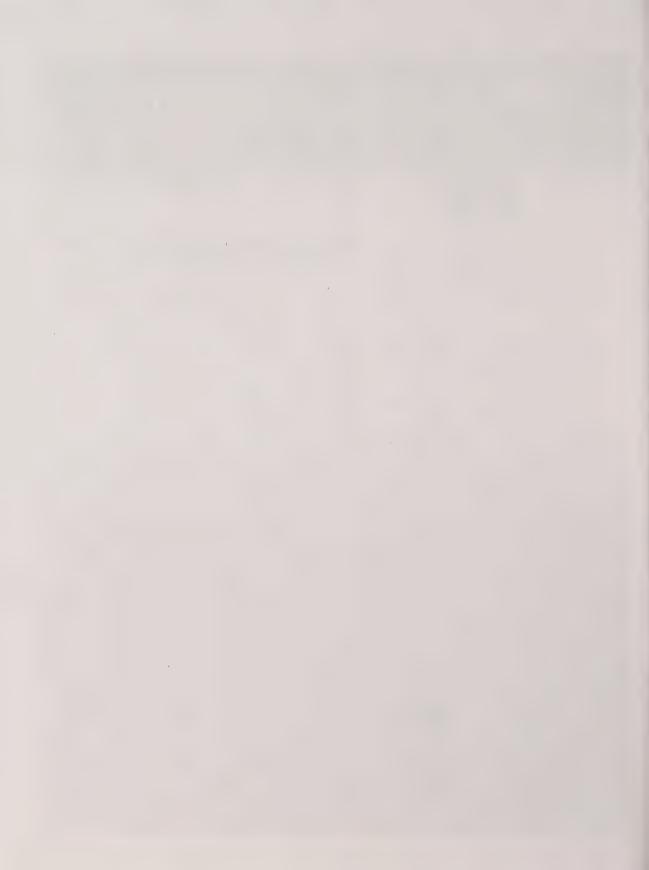
Source: Industry Canada compilations based on Statistics Canada Data

North-East Region's Share of Canada's Total Merchandise Imports from the U.S.



Source: Industry Canada compilations based on Statistics Canada Data

Page 4

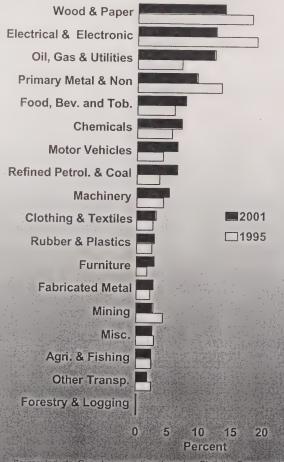




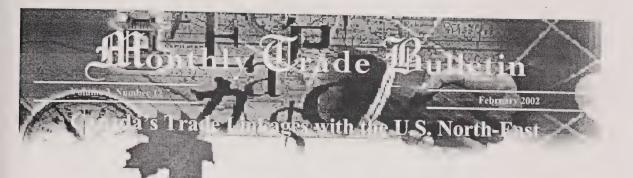
Resource and Resource-Based industries dominate Canada's exports to the North-East...

- Four of the top five industries that export to the North-East are still Resource or Resource-Based: Wood & Paper; Oil, Gas & Utilities; Primary & Non-ferrous metals; and Food, Beverages & Tobacco.
- The importance of Wood & Paper; Primary & Non-ferrous Metals and Electrical & Electronic products in Canadian exports to North-East declined significantly between 1995 and 2001. On the other hand, the shares of Oil, Gas & Utilities; Chemicals; Motor Vehicles; Refined Petroleum & Coal; and Machinery increased significantly.

Industrial Distribution of Canada's Exports to the North-East

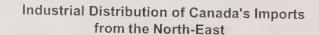


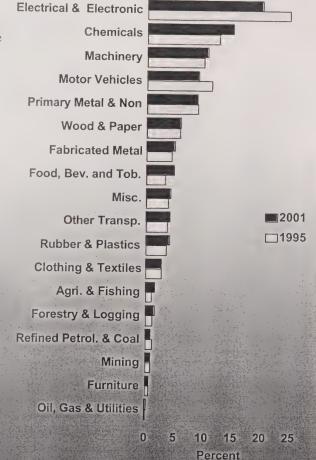




...however, we mainly import manufactured goods

- The four largest industries account for more than half of Canada's total merchandise imports from the North-East. These are; Electrical & Electronic products, Chemicals, Machinery, and Motor Vehicles.
- However, this share has fallen slightly from 1995, largely as a result of a decline in share in the Electrical & Electronics industry.





Source: Industry Canada compilations based on Statistics Canada data





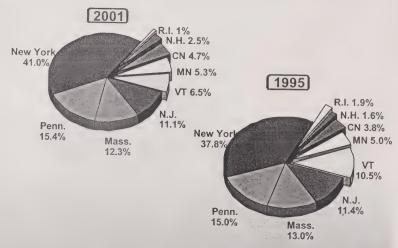
Share by States in Canadian Exports to U.S. North-East Region

New York is the main destination for Canadian exports...

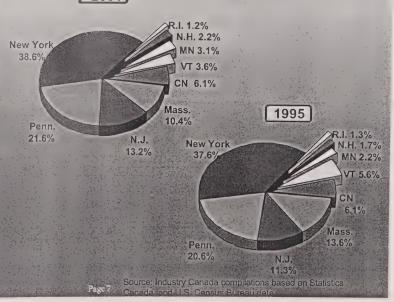
- New York state represents about two-fifths of Canada's trade with the North-East region, and this share has increased since 1995.
 - ➤ The share of Vermont in Canada's merchandise exports to the North-East declined by almost half between 1995 and 2001.

...as well as the origin of Canadian imports

 New York also accounts for the largest share of Canadian imports from the North-East.



Share by States in Canadian Imports from North-East Region







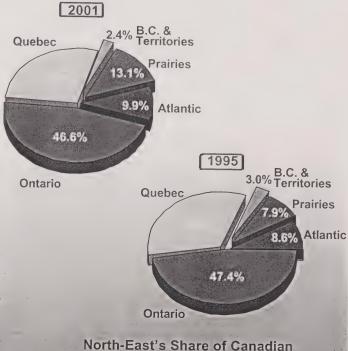
The Atlantic and Prairie provinces have increased their share of Canada's exports to the North-East Region

- Ontario and Quebec still represent almost 75% of Canada's exports to the region. But, both provinces lost ground between 1995 and 2001.
- On the other hand, the Atlantic and especially the Prairie provinces have seen a significant increase in their share.
 - The Atlantic provinces saw their share increase from 8.6% in 1995 to 9.9% in 2001 while the Prairie provinces saw an even more substantial increase as their share of export increased from 7.9% to 13.1%.

Nearly 65% of Atlantic Canada's exports to the U.S. are bound for the North-East region of the U.S.

- At 45%, Quebec also sent a considerable portion of its exports to the North-East region in 2001, down from 50% in 1995.
- All other provinces send less than onefifth of their exports to the North-East region.

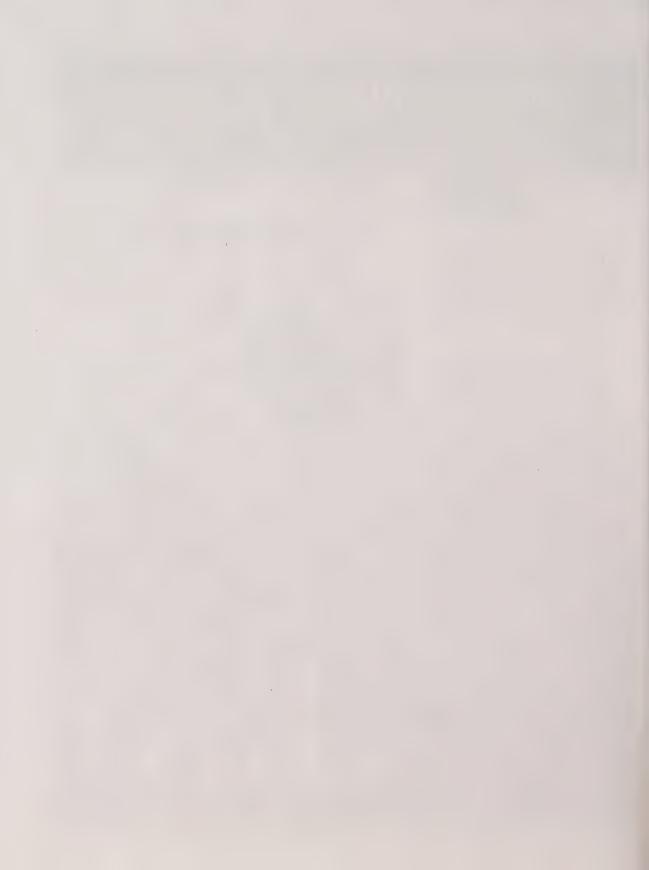
Distribution of Canada's Exports by Province to U.S. North-East





Atlantic Prairies B.C.& Ontario Quebec Terr.

Source: Compilations based on Statistics Canada data.



Honthey Trade Bulletin February 2002 Granda's Trade Lineages with the U.S. North-East

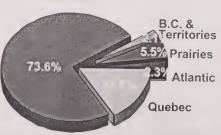
Ontario remains, by far, the largest importer from the North-East region of the U.S.

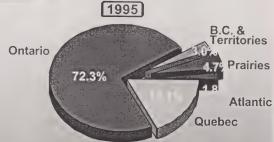
- Ontario alone accounts for almost three-quarters of Canada's imports from the North-East region of the U.S. and this share has not changed considerably since 1995.
 - ➤ The Atlantic and Prairie provinces saw an increase in their share of imports from the North-East region between 1995 and 2001, but not to the same extent as their exports.

Quebec is the most dependant region on imports from the U.S. South

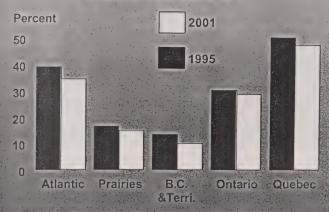
- In 2001, 34% of Atlantic Canada's imports from the U.S. came from the North-East region.
 - ➤ This is down from 39% in 1995.
- But, Quebec is most dependant on imports from the North-East at 49% of total imports.
- Ontario also depends relatively heavily on imports from the North-East region at 29%.

Distribution of Canada's Imports by Province from U.S. North-East



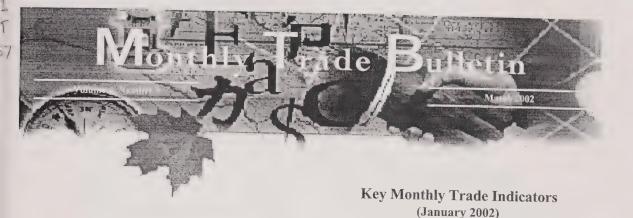


North-East's Share of Total Canadian Imports from the U.S.



Source: Compliations based on Statistics Canada data





Highlights

- Merchandise exports grew almost twice as fast as imports, resulting in a widening in Canada's overall trade surplus with the world in January.
- Similarly, merchandise exports to the U.S. grew much faster than merchandise imports from the U.S., resulting in an increase of the bilateral trade surplus for January.
- The Canadian dollar edged up US0.2¢ in value over the month; however, it remains some US3.7¢ cents below its level of January, one year ago.

		% change over			
	millions	previous month	previous year		
Exports	33,014	3.1	-13.9		
- Exports to U.S.	27,975	4.4	-15.1		
Imports	27,916	1.6	-7.3		
- Imports from U.S.	20,359	1.6	-5.9		
Trade Balance*	5,098	4,540	8,202		
- Balance with U.S.*	7,616	6,763	11,314		
Commodity Prices**	90.3	0,8	-29.8		
Canadian Dollar (US¢)*	63.0	62.8	66.7		
Export Prices***	103.9	2.5	-12.3		
Import Prices***	107.1	2.4	1.3		

* Data in levels only

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data

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Department of Foreign Affairs and International Trade

Ministère des Affaires étrangères et du Commerce international



Industry Canada Industrie Canada





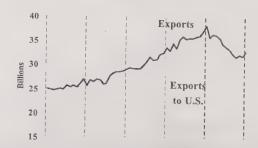
Overall trade balances improve ...

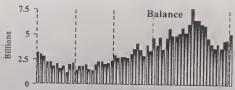
- The overall trade surplus increased \$558 million dollars to \$5.1 billion in January.
 - The monthly surplus with the U.S. rose \$853 million to just over \$7.6 billion in January.
- Monthly trade balances with our other major trading partners also improved over the month, but remain in deficit. Our deficit with the EU narrowed \$413 million to \$841 million in January, while the balance with Japan contracted some \$34 million to a \$134 million deficit.

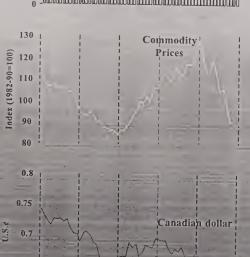
... and the value of the Canadian dollar rises

- The Canadian dollar rose nearly 22 basis points over the month of January, to reach US63.0¢. The value of the dollar remains, nonetheless, US3.7¢ lower than its rate one year earlier.
- In lock-step with the rise in the dollar, export, import, and commodity prices increased across the board in January.

Merchandise Trade







1999

0.65

0.6

1998

Source: Statistics Canada, Bank of Canada

2001

2000



Monthly Tride Bulletin

hada's I rade Linkages with the U.S. South

Some of the fastest growing U.S. states are in the South.





South Region

State	Population	GDP (millions US\$, 2000)	GDP per Capita (US\$)	Land Area (miles sq.)	GDP Growth (%, 95-00)
Alabama	4,464,356	119,921	26,862	50,744	4.66
Arkansas	2,692,090	67,724	25,157	52,068	4.71
Delaware	796,165	36,336	45,639	1,954	5.67
District of Columbia	571,822	59,397	103,873	61	4.18
Florida	16,396,515	472,105	28,793	53,927	6.49
Georgia	8,383,915	296,142	35,323	57,906	7.79
Kentucky	4,065,556	118,508	29,149	39,728	5.32
Louisiana	4,465,430	137,700	30,837	43,562	4.19
Maryland	5,375,156	186,108	34,624	9,774	5.94
Mississippi	2,858,029	67,315	23,553	46,907	4.29
North Carolina	8,186,268	281,741	34,416	48,711	7.68
Oklahoma	3,460,097	91,773	26,523	68,667	5.58
South Carolina	4,063,011	113,377	27,905	30,110	5.47
Tennessee	5,740,021	178,362	31,073	41,217	5.45
Texas	21,325,018	742,274	34,808	261,797	7.63
Virginia	7,187,734	261,355	36,361	39,594	6.70
West Virginia	1,801,916	42,271	23,459	24,078	3.08
Total South	101,833,099	3,274,209	32,135	870,805	6.41
Total U.S.	284,796,887	9,941,552	34.908	3,537,441	6.34





The South's share of Canadian exports to the U.S. has remained relatively constant at just above 16 percent

- · Canadian merchandise exports to the U.S. South increased from \$31.2 billion in 1995 to \$53.3 billion in 2001, with an average annual growth rate of 9.3%.
- But, the South's share of Canadian merchandise exports to the U.S. stayed constant at just over 16 percent.

However, the South's share of Canadian imports increased from 22.8% to 25.5%

The South's share of Canadian merchandise imports from the U.S. increased from 22.8% in 1995 to 25.5% in 2001 with total imports reaching \$55.7 billion.

South Region's Share of Canada's Total Merchandise Exports to the U.S. Percent

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'01

Source: Industry Canada compilations based on Statistics Canada Data

South Region's Share of Canada's Total Merchandise Imports from the U.S. Percent

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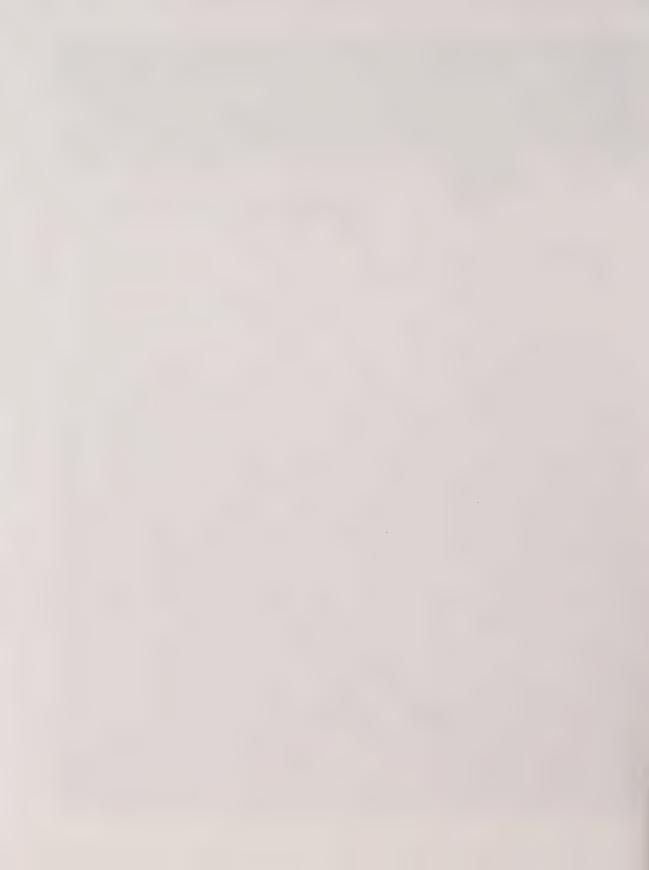
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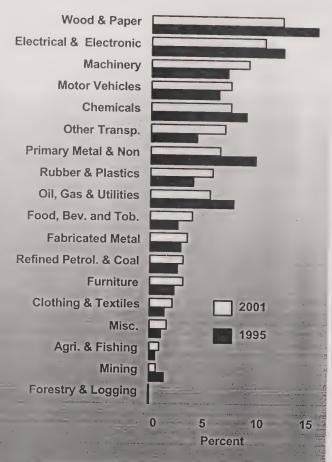


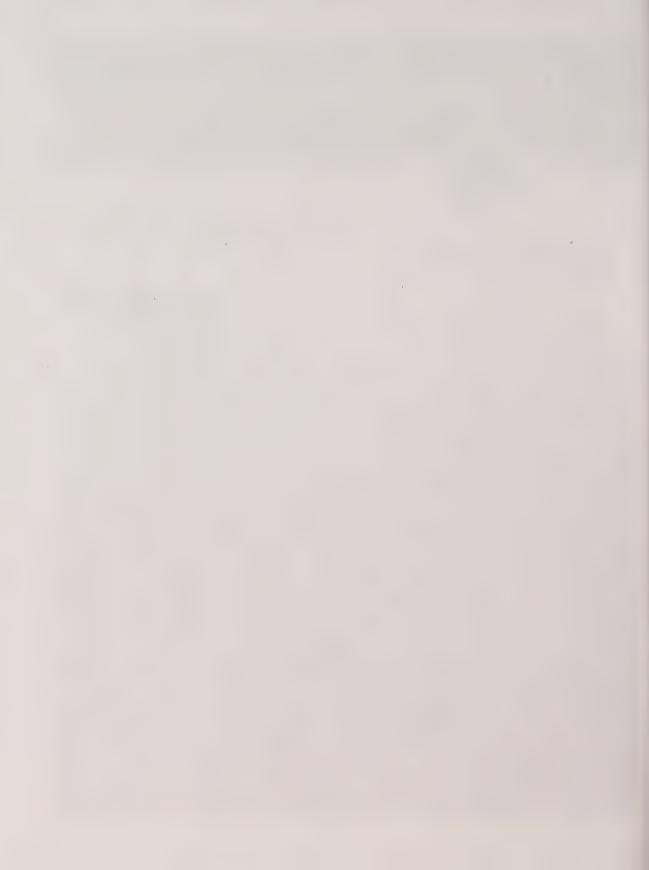
Monthly Lande Bullistin Opposed as Trade Linkages with the U.S. South

The importance of resource industries declined in Canada's exports to the South

- Many resource industries saw their share of exports to the South decline significantly between 1995 and 2001.
 - The share of Wood & Paper declined 3.6 percentage points to 13.5%, Primary Metals declined 3.6 percentage points to 10.7% and Oil, Gas & Utilities declined 2.3 percentage points to 8.5%.
 - ➤ Electrical & Electronic and Chemicals also posted a sizable decline in share.
 - On the other hand, Machinery, Motor Vehicles, Other Transportation
 Equipment and Food, Beverage and Tobacco made gains.

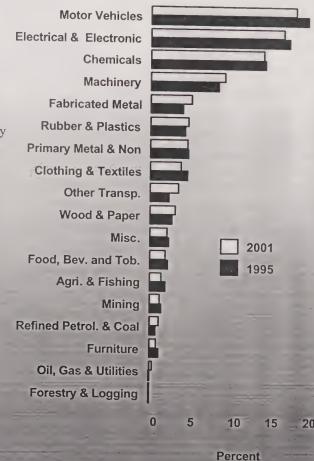
Industrial Distribution of Canada's Exports to the South Region

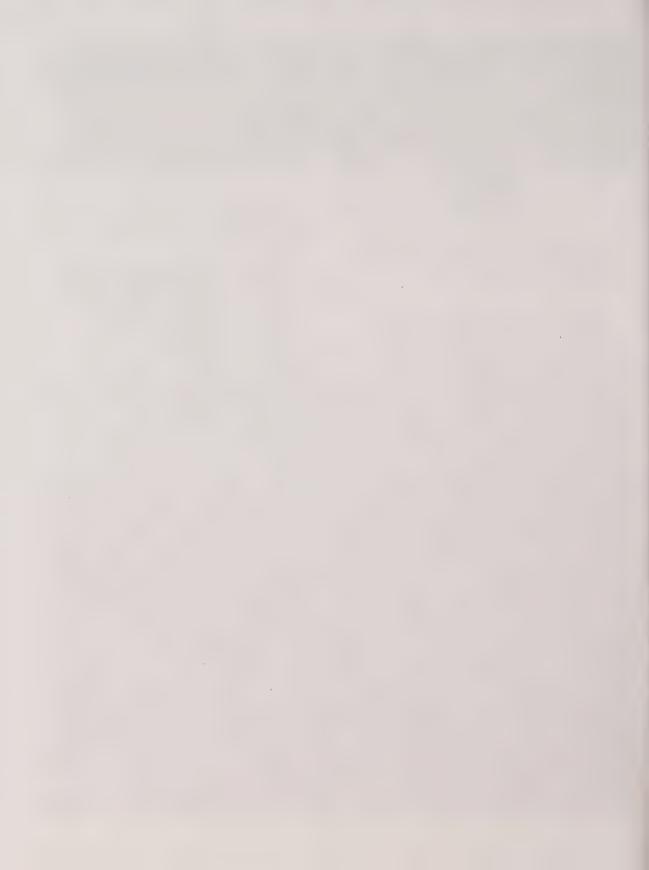




High-tech industries dominated Canadian imports from the South

 Canadian Imports from the U.S. South consisted mainly of high-tech industries such as Motor Vehicles, Electrical and Electronics, Chemicals and Machinery accounting for 64.2% of Canadian imports from the South in 2001, up only marginally from 62.5% in 1995. Industrial Distribution of Canada's Imports from the South Region





Texas accounts for the greatest share of Canadian exports going to the U.S. South U.S....

· Texas accounts for just over one-fifth of Canada's exports to the U.S. South at 21.7% in 2001, down slightly from 23.4% in 1995.

- ▶ However, Texas saw the second largest decline in share, behind North Carolina who's share dropped 4.0%.
- ➤ Oklahoma, Virginia and Tennessee experienced the fastest growth in shares between 1995 and 2001 at 21.6%, 15.7% and 12.6% respectively.

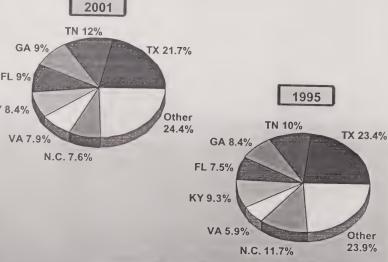
... as well as imports

Texas also accounts for 23% of Canadian imports from the TN 9.4% U.S. South.

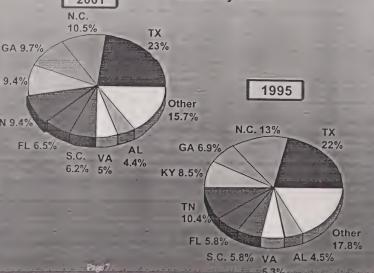
KY 9.4%

Canada has a trade deficit of \$2.0 billion with North Carolina, equal to half of total exports to that state. On the other hand, Canada enjoys large trade surpluses with Virginia, Tennessee and Maryland.

Canada's Exports to the U.S. South, Share by State



Canada's Imports from the U.S. South, Share by State 2001





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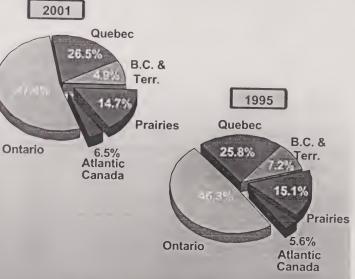
Ontario accounts for almost half of Canadian exports to the U.S. South

- Ontario's share of Canadian exports to the U.S. South increased from 46.3% in 1995 to 47.4% in 2001.
- On the other hand, the share of BC & Territories declined significantly.

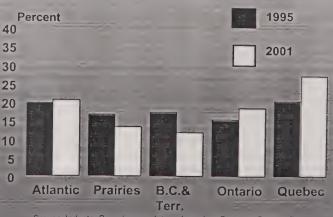
The importance of the U.S. South as a destination for exports increased for the central provinces

- Quebec saw the greatest increase in the share of exports going to the South, jumping from 22.3% in 1995 to 26.2% in 2001.
- Ontario also saw a significant rise in the share of exports going to the South from 13.6% to 16.0%.
- However the western provinces saw similar sized declines, B.C. dropping from 19.8% to 12.7% and the Prairies from 16.2% to -12.4%.

Distribution of Canada's Exports to the U.S. South by Province



South's Share of Canadian Exports to the U.S.





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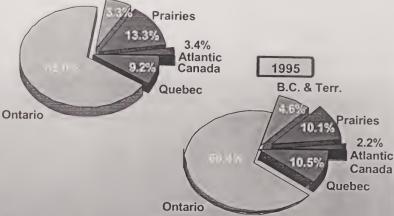
More than two-thirds of Canada's imports from the U.S. South go to Ontario

- Ontario's share of imports from the U.S. South has not changed considerably between 1995 and 2001.
- However, the Prairies saw their share jump from 10.1% to 13.3%, while the shares of Quebec and B.C. declined.

Distribution of Canada's Imports from the U.S. South by Province

2001

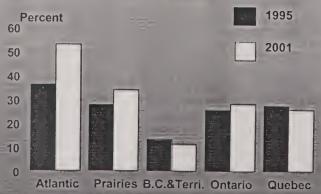
B.C. & Terr.



However, it is Atlantic Canada and the Prairies that are most dependant on imports from the South

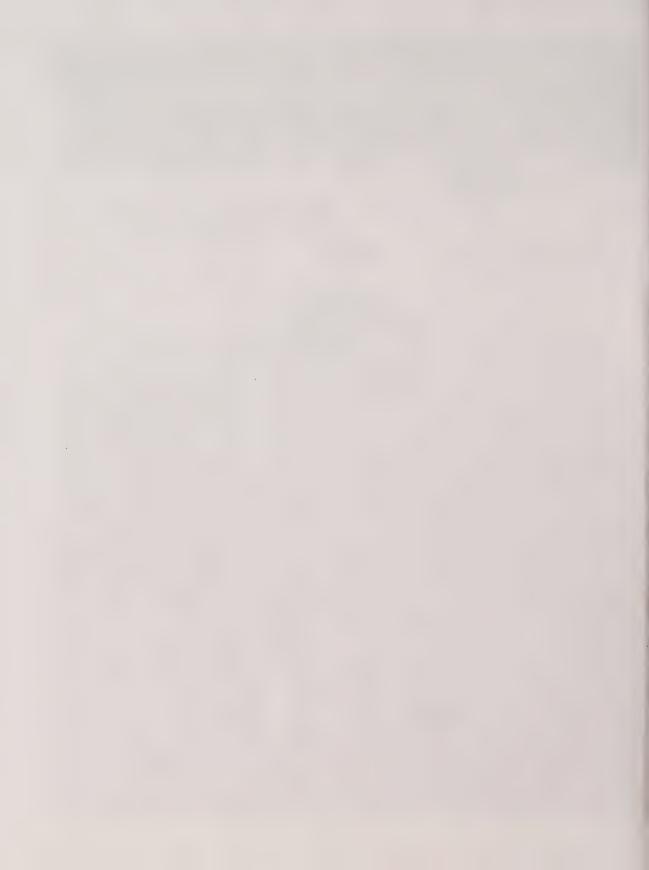
- In 2001, nearly 55% of Atlantic Canada's imports came from the U.S. South, an increase of nearly 20 percentage points since 1995.
- The Prairies also saw their share of imports coming from the U.S. South increase significantly between 1995 and 2001.
- Quebee and B.C. & Territories saw a decline in its share of imports coming from the U.S. South.

South's Share of Canadian Imports to the U.S.



Source: Industry Canada compilations based on Statistics Canada Data

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Highlights

- Merchandise imports grew almost twice as fast as exports, resulting in a narrowing of Canada's overall trade surplus with the world in February.
- Similarly, merchandise imports from the U.S. outpaced merchandise exports to the U.S., resulting in a slight decline in the bilateral trade surplus in February.
- The Canadian dollar edged lower over the month, down US0.6¢ in value. The dollar was sitting some US2.7¢ below its level of February, a year earlier.

,		% change over			
	millions	previous month	previous year		
Exports	33,691	2.7	-5.9		
- Exports to U.S.	28,531	1.6	-7.6		
Imports	29,142	5.1	-0.8		
- Imports from U.S.	20,902	2.4	-3.1		
Trade Balance*	4,549	5,085	6,449		
- Balance with U.S.*	7,629	7,662	9,307		
Commodity Prices**	91.1	0.7	-22.9		
Canadian Dollar (US¢)*	62.4	63.0	65.1		
Export Prices***	103.1	-0.9	8.8		
Import Prices***	106.4	-0.6	-0.5		

- * Data in levels only. ** Index (1982-90 = 100)
- *** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data

This Month's Feature Report:

Canada's Trade Linkages with the U.S. Midwest

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada





20

Overall trade balances retract...

- The overall trade surplus narrowed \$536 million dollars to \$4.5 billion in February.
 - ➤ The monthly surplus with the U.S. edged lower \$33 million to just over \$7.6 billion in February.
- Monthly trade balances with all other major trading partners worsened over the month.
 Our deficit with Japan expanded
 \$91 million to \$227 million in February,
 while the balance with the EU declined a further \$59 million - to an \$830 million deficit.

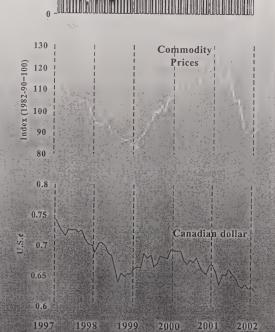
...and the value of the Canadian dollar falls

- The Canadian dollar fell nearly US0.6¢ over the month of February, to US62.4¢. The value of the dollar is some US2.7¢ lower than its rate one year earlier.
- Export and import prices were down over the month while commodity prices registered their second consecutive monthly increase.



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Source: Statistics Canada, Bank of Canada



Monthly Tride Bulletin

April 2002

anada's Trade Linkages with the U.S. Midwest

The Midwest is neither a fast growing nor a rich market for Canadian goods, but is extremely important because of the automotive industry



North
Dakota
South
Dakota
Nebraska

Kansas

Missouri

Wisconsin

Wisconsin

Michigan

Ohio

Midwest Region

State	Population	GDP (millions US\$, 2000)	GDP per Capita (US\$)	Land Area (miles sq.)	GDP Growth (%, 95-00)
Illinois	12,482,301	× 467,284	37,436	55,584	5.39
Indiana	6,114,745	192,195	31,431	35,867	5.30
lowa	2,923,179	89,600	30,652	55,869	4.56
Kansas	2,694,641	85,063	31,567	81,815	5.83
Michigan	9,990,817	325,384	32,568	56,804	5.06
Minnesota	4,972,294	184,766	37,159	79,610	6.89
Missouri	5,629,707	178,845	31,768	68,886	5.09
Nebraska	1,713,235	56,072	32,729	76,872	4.93
North Dakota	634,448	18,283	28,817	68,976	4.70
Ohio	11,373,541	372,640	32,764	40,948	4.75
South Dakota	756,600	23,192	30,653	75,885	4.90
Wisconsin	5,401,906	173,478	32,114	54,310	5.35
Total Midwest	64,687,414	2,166,802	33,496	751,426	5.28
Total U.S.	284,796,887	9,941,552	34.908	3,537,441	6.34



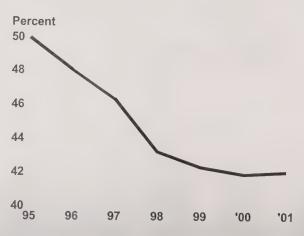
House Canada's Trade Linkages with the U.S. Midwest

The Midwest's share of Canadian exports to the U.S. has declined significantly...

• In 1995, the Midwest accounted for half of Canada's total merchandise exports to the U.S. In only six years, this share has fallen 8 percentage points to 42% in 2001.

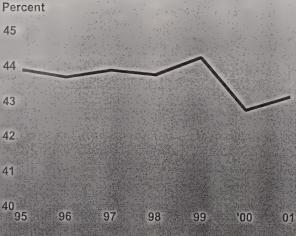
...while the Midwest's share of imports has remained relatively stable

 Between 1995 and 2001, the Midwest's share of Canadian merchandise imports has remained relatively stable between 43% and 44%. Midwest Region's Share of Canada's Total Merchandise Exports to the U.S.



Source: Industry Canada compilations based on Statistics Canada Data

Midwest Region's Share of Canada's Total Merchandise Imports from the U.S.





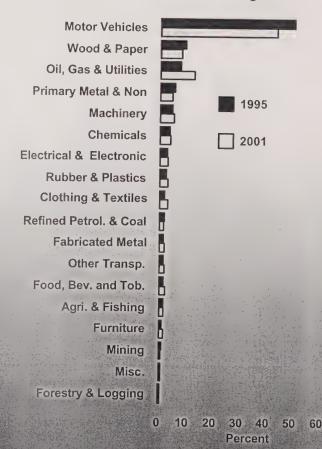
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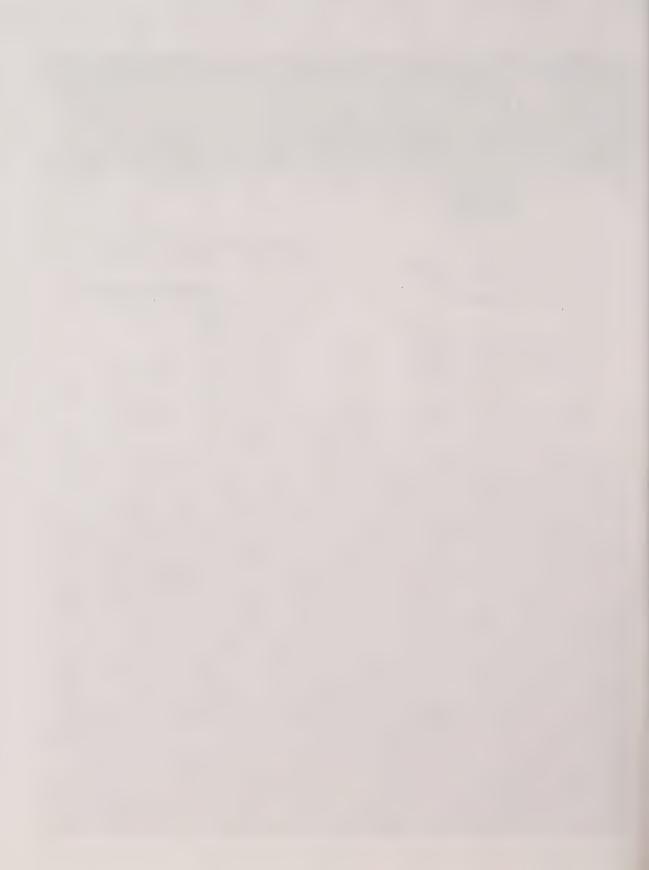
anada's Trade Linkages with the U.S. Midwest

Motor Vehicles still account for over 40% of Canada's exports to the Midwest...

- Exports of motor vehicles continues to account for the bulk of Canada's exports to the U.S. Midwest, up from \$49.2 billion in 1995 to \$60.4 billion.
 - However, the share of motor vehicles has fallen off slightly and now stands at 44.4% from 50.8% in 1995.
- Oil, Gas & Utilities saw the largest increase in share, rising from 7.6% in 1995 to 13.0% in 2001.

Industrial Distribution of Canada's Exports to the Midwest Region



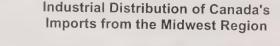


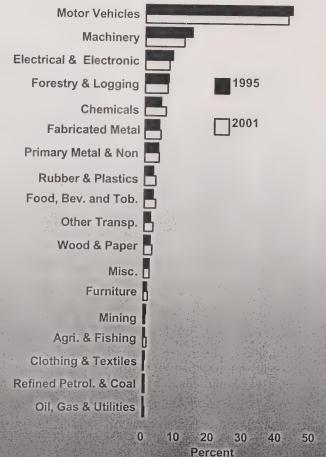
Monthy Trade Bulletin

anada's Trade Linkages with the U.S. Midwest

... as well as imports

- Similar to exports, imports are dominated by trade in motor vehicles.
- Motor vehicles accounted for 42.0% of Canadian imports from the U.S. Midwest in 2001, down slightly from 43.2% in 1995.
- Other industries, associated at least in part with motor vehicle production such as Machinery, Electrical & Electronics, and Chemicals accounted for another 24.9% of imports in 2001.







Canada's Trade Linkages with the U.S. Midwest

Most of Canada's exports to the U.S. Midwest go to the automobile producing states...

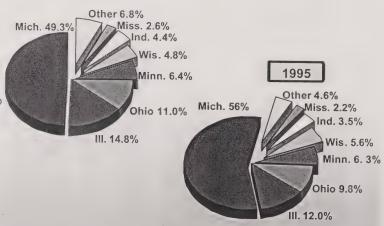
- Michigan accounts for nearly half of Canada's total exports to the U.S. Midwest although this is down 6 percentage points from 1995.
 - ➤ Wisconsin is the only other state in the U.S. Midwest to see its share drop.
- On the other hand, Illinois and Ohio gained in importance increasing their shares of Canadian exports to the Midwest to 14.8% and 11.0% respectively.

...however imports are much more evenly distributed

- Michigan accounts for less than one-third of Canadian imports from the Mid-west.
- Ohio, which is heavily involved in parts production for the motor vehicle industry accounts for another 23.1%.

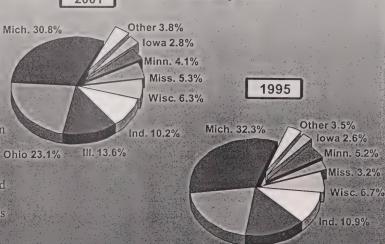
Canada's Exports to the U.S. Midwest,
Share by State





Canada's Imports from the U.S. Midwest,

Share by State



Ohio 20.7%

III. 14.9%



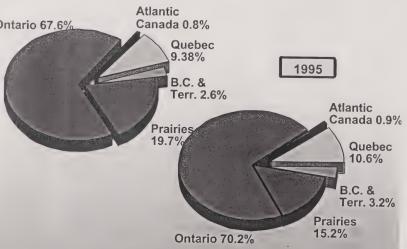
Aftonish Canade Buretin Canada's Trade Linkages with the U.S. Midwest

Distribution of Canada's Exports to the U.S. Midwest by Province

2001

Ontario accounts for more than two-thirds of Canada's exports Ontario 67.6% to the Midwest

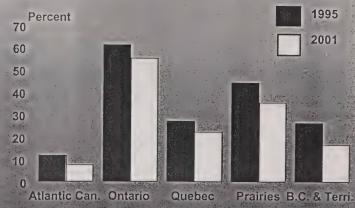
- However, Ontario's share is down from more than 70% in 1995.
- The Prairies share of exports going to the Midwest has increased significantly, gaining 4.5 percentage points to reach 19.7% in 2001



More than 55% of Ontario's exports go to the Midwest

- Ontario depends most heavily on the Midwest as a market for exports sending just over 55% of exports in 2001, followed by the Prairies at just over 35%.
- The U.S. Midwest's share of Canadian exports declined across all regions.

Midwest's Share of Canadian Exports to the U.S.



Source; Industry Canada compilations based on Statistics Canada Data

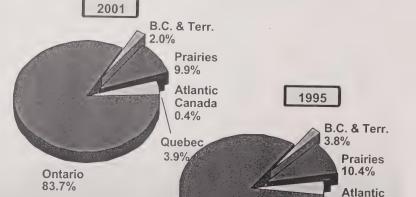
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Allowalds Trade inlages with the U.S. Midwest

Ontario accounts for 83.7% of Canadian imports from the Midwest

- This is up from 81.0% in 1995.
- The share of all other regions declined over this period.



Ontario 81.0%

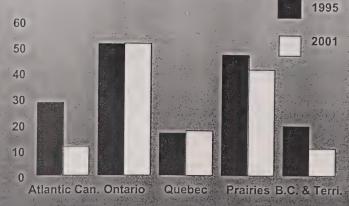
Distribution of Canada's Imports from the U.S. Midwest by Province

Ontario is also the most dependant on imports from the Midwest at just over 51%

- 41% of the Prairies' imports from the U.S. came from the Midwest in 2001, down significantly from 47% in 1995.
- Atlantic Canada and B.C. & Territories also saw a considerable decline in import share of the Midwest, dropping 17 and 9 percentage points respectively.

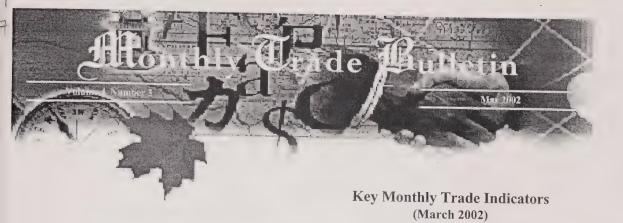
Midwest's Share of Canadian Imports to the U.S.

Canada 0.6%
Quebec 4.0%



Source: Industry Canada compilations based on Statistics Canada Data





Highlights

- Merchandise exports fell twice as fast as imports, resulting in a narrowing of Canada's overall trade surplus with the world in March.
- The combination of falling exports and rising merchandise imports from the U.S. resulted in a decline in the bilateral trade surplus in March.
- A marked decline in trade with the E.U. contributed significantly to the weaker trade figures for this month.
- The Canadian dollar edged higher over the month, up US0.3¢ in value. Nevertheless, the dollar was sitting some US0.7¢ below its level of March 2001.

		% change over			
	millions	previous	previous		
	Tillion's	month	year		
Exports	33,150	-2.0	-9.1		
Exports to U.S.	28,281	-0.6	-7.8		
Imports	28,754	-1.0	-4.1		
- Imports from U.S.	20,866	0.2	-5.1		
Trade Balance*	4,396	4,772	6,487		
- Balance with U.S.*	7,415	7,644	8,691		
Commodity Prices**	97.2	5.9	-13.4		
Canadian Dollar (US¢)*	62.7	62.4	63.4		
,,					
Export Prices***	103.9	0.5	-6.9		
Import Prices***	104.7	-1.8	-1.5		

Data in levels only Index (1982-90 = 100)

*** Index 1997 = 100
Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Trade Linkages with the U.S. West

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao. ISSN 1496-192X



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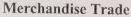


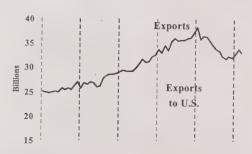
Overall trade balances retract ...

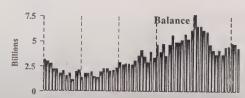
- The overall trade surplus narrowed \$376 million dollars to \$4.4 billion in March.
 - ➤ The monthly surplus with the U.S. slipped \$229 million lower to just over \$7.4 billion in March.
- Monthly trade balances with all other major trading partners remain in deficit. Our deficit with Japan narrowed \$6 million to \$225 million in March, while the balance with the EU widened \$274 million - to a \$1.0 billion deficit.

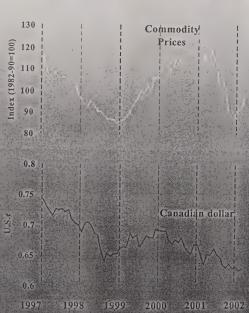
... while the value of the Canadian dollar rises

- The Canadian dollar reclaimed US0.3¢ over March, to US62.7¢. The value of the dollar is only US0.7¢ lower than its rate one year earlier.
- Export prices increased and import prices were down over the month, as the terms of trade improved. Commodity prices recorded their third consecutive monthly increase.









Source: Statistics Canada, Bank of Canada



Monthly Tride Bulletin

anada's Trado Linkages with the U.S. West

May 2002

The U.S. West is a fast growing and wealthy market for Canadian exports



	Population	GDP (millions \$, 2000)	GDP per Capita (\$)	Land Area (miles sq.)	GDP Growth (%, 1995-2000)
Alaska	634,892	27,747	43,703	571,951	2.28
Arizona	5,307,331	156,303	29,450	113,635	8.37
California	34,501,130	1,344,623	38,973	155,959	7.75
Colorado	4,417,714	167,918	38,010	103,718	9.02
Hawaii	1,224,398	42,364	34,600	6,423	2.61
ldaho	1,321,006	37,031	28,032	82,747	6.40
Montana	904,433	21,777	24,078	145,552	4.43
Nevada	2,106,074	74,745	35,490	109,826	8.65
New Mexico	1,829,146	54,364	29,721	121,356	5.21
Oregon	3,472,867	118,637	34,161	95,997	7.91
Utah	2,269,789	68,549	30,201	82,144	8.17
Washington	5,987,973	219,937	36,730	66,544	7.77
Wyoming	494,423	19,294	39,023	97,100	5.28
Total West	64,471,176	2,353,289	36,501	1,752,952	7.60
Total U.S:	284,796,887	9,941,552	34,908	3,537,441	6:34



The U.S. West's share of Canadian exports has increased steadily...

- Canadian merchandise exports to the U.S. West increased from \$24.1 billion in 1995 to \$63.8 billion in 2001 — an average annual rate of growth of 17.6%.
- This tremendous growth has increased the West's share of total Canadian exports to the U.S. to 18.0% in 2001 from only 11.2% in 1995.

...although the West's share of Canadian imports has not changed much

• The West's share of Canadian not changed significantly since 1995, increasing only 0.2 percentage points to reach 12% in 2001.

U.S. West's Share of Canadian Merchandise Exports to the U.S.

Percent

20



98 Source: Industry Canada compilations based on Statistics Canada Data

U.S. West's Share of Canadian Merchandise Imports from the U.S.

Percent

14

95

96

13

11

96

'01

'01

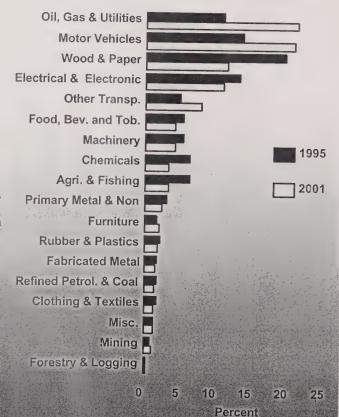


Canada's Trade Linkages with the U.S. West

Canadian Oil & Gas and Motor Vehicle exports increased dramatically to the U.S. West

- Canadian exports of Oil & Gas and Motor Vehicles increased 400% and 300% respectively between 1995 and 2001 and combined, now account for 42% of total Canadian merchandise exports to the U.S. West.
- Electrical and Electronics, Machinery and Chemicals decreased their share in total Canadian exports to the U.S. West.
 - ➤ Their combined share decreased from 24.7% in 1995 to 18.3% in 2001.
- Wood & Paper, traditionally Canada's most important export to the West declined 8 percentage points and now stands at 11,3% of Canadian exports to the U.S. West.

Industrial Distribution of Canadian Exports to U.S. West



Source: Industry Canada compilations based on Statistics Canada Data



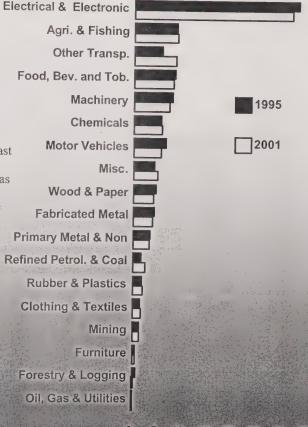
Monthly Trade Pulletin

anada's Trade Linkages with the U.S. West

Electrical & Electronics dominate Canadian imports from the West

- Electrical & Electronics account for almost one-third of Canada's imports from the U.S. West and this has not changed significantly since 1995.
- Similarly, the share of other industries has not changed very much over the past 6 years and is fairly well distributed among resource based industries such as Agriculture & Fishing and Food, Beverage & Tobacco and among more high-tech industries such as Other Transportation Equipment which includes aircraft and Machinery.

Industrial Distribution of Canadian Imports from the U.S. West



0 5 10 15 20 25 30 35

Percent

Source: Industry Canada compilations based on Statistics Canada Data



Canada's Trades inkages with the U.S. West

California accounts for a large and growing share of Canadian CA 43 4%

West...

 California gained just over one percentage point in share to reach 43.4%.

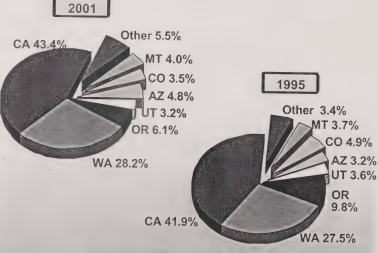
exports to the U.S.

- Washington State is the other dominant destination for Canadian exports to the West at 28.2% and saw a small increase in share.
- Oregon, on the other hand, saw it's share drop from 9.8% to 6.1%.

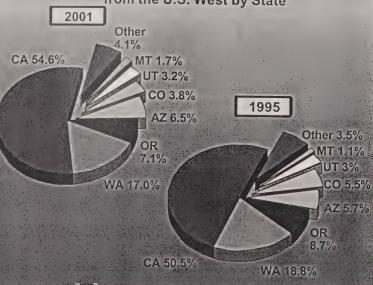
... as well as imports

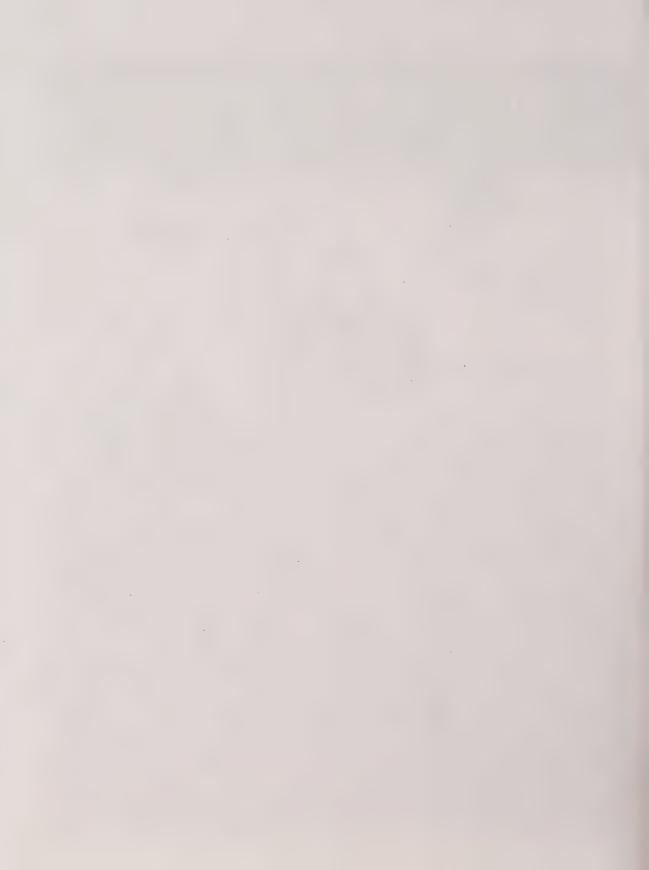
- California's share of Canadian imports from the U.S. West increased from 50.5% to 54.5% between 1995 and 2001.
- Washington State also accounts for a large share of Canadian imports from the West at 17.0%, but a significantly smaller share than exports.

Distribution of Canadian Exports to the U.S. West by State



Distribution of Canadian Imports from the U.S. West by State



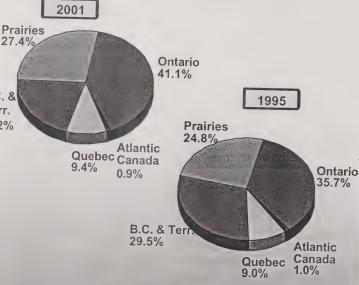


Honthly Grade Bulletin Separate Strade Unkages with the U.S. West

B.C.'s share of exports to the West declined significantly while that of Ontario and the Prairies increased

B.C. & Territories saw its share Terr.
 of Canadian merchandise 21.2%
 exports to the U.S. West decline
 by almost one-third to 21.2%.

 Ontario gained the largest share, jumping 5.4 percentage points followed by the Prairies which gained 2.6 percentage points. Distribution of Canada's Exports to the U.S. West by Province

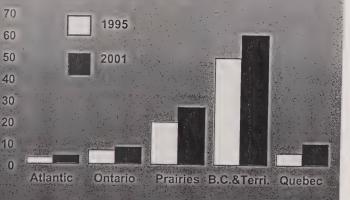


Although the importance of the U.S. West increased for all regions

The importance of the U.S. West as a destination for exports increased in all provinces, but remains most important to B.C. accounting for 60.5% of B.C.'s exports to the U.S. in 2001, up from 49.7% in 1995.

 The Prairies also depend heavily on the West as an export market, sending 26.7% of their U.S. bound exports there in 2001.

U.S. West's Share of Canadian Exports to the U.S.



Source: Industry Canada compilations based on Statistics Canada Data



Howhiy Cande Bulletin Marketon Canada's Tunder inkages with the U.S. Wast

2001

B.C. & Territories accounts for the largest share of Canadian imports from the U.S. West...

- B.C. & Territories saw its share of Canadian merchandise imports from the U.S. West decline slightly from 31.8% in 1995 to 29.9% in 2001.
- Both the Prairies and Quebec saw their share of imports from the U.S. West increase by about three percentage points.

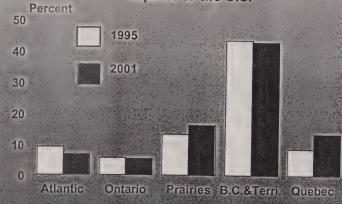
Ontario 27.7% **Prairies** 13.8% Atlantic Canada 0.9% 1995 Quebec 10.7% Ontario 31.7% B.C. & Terr. 29.9% Prairies **Atlantic** 10.6% Canada 1.0% Quebec 7.4% B.C. & Terr. 31.8%

Distribution of Canada's Imports from the U.S. West by Province

...and is most dependant on imports from the U.S. West

- 42.8% of B.C.'s imports from the U.S. come from the West.
- This is more than double that of either the Prairies or Quebec, although both of their shares increased since 1995.

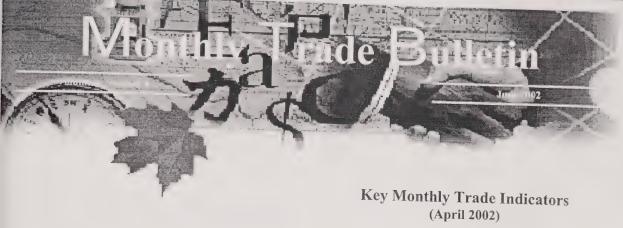
U.S. West's Share of Canadian Imports to the U.S.



rce: Industry Canada compilations based on Statistics Canada Data

Page !





Highlights

- April's merchandise exports advanced faster than imports, as Canada's overall trade surplus with the world widened.
- Exports to the U.S. outpaced imports resulting in a increase in the bilateral merchandise trade surplus in April.
- The Canadian dollar rose higher over the month, up US1.1¢ in value. Nevertheless, the dollar remains US1.3¢ below its level of April one year ago.

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	***	TENERNS

	\$	% change over		
	millions	previous month	previous year	
Exports	34,335	2.9	-5.9	
- Exports to U.S.	29,168	2.4	-5.5	
Imports	29,106	1.6	-3.4	
- Imports from U.S.	20,888	0.3	-5.2	
Trade Balance*	5,229	4,713	6,362	
- Balance with U.S.*	8,280	7,653	8,839	
Commodity Prices**	100.4	2.7	-12.1	
Canadian Dollar (US¢)*	63.8	62.7	65.1	
Export Prices***	107.1	0.2	-4.7	
Import Prices***	106.6	1.8	-0.5	

- * Data in levels only.
- ** Index (1982-90 = 100)
- *** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Fenture Report: Trade In High-Tech Manufacturing

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada



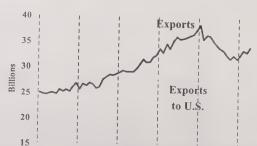
Merchandise Trade

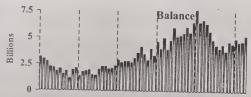
Overall trade balances improve ...

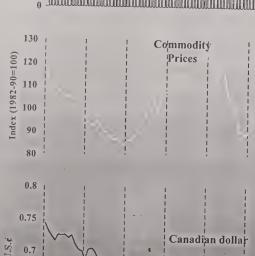
- The overall trade surplus expanded
 \$516 million dollars to \$5.2 billion in April.
 - The monthly surplus with the U.S. rose \$627 million to just under \$8.3 billion in April.
- Monthly trade balances with all other major trading partners remain in deficit. Our deficit with Japan widened \$25 million to \$265 million in April, while the deficit with the EU widened \$80 million to \$1.1 billion.

... and the value of the Canadian dollar rises

- The Canadian dollar reclaimed US1.1¢ in value over April, to US63.8¢. The dollar is roughly US1.1¢ lower than its rate one year earlier.
- Hand-in-hand with the rise in the dollar, prices rose across the board as export prices, import prices and commodity prices were all up over the month.









Source: Statistics Canada, Bank of Canada





Definition of "high-tech" Manufacturing Industries

According to the 1997 OECD definitions, the following industries in the manufacturing sector are considered as high-technology industries:

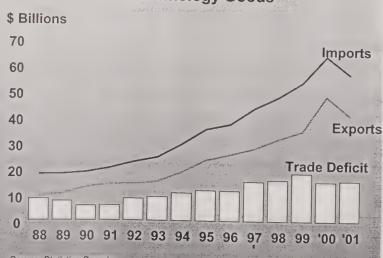
- Aircraft & Parts (SIC 3211);
- Communications-Electronics (SICs 3341, 3351, 3352, 3359);
- Office, Store and Business Machines (OSB) (SICs 3361, 3362, 3369); and,
- Pharmaceuticals (SIC 3741).

Trade data is collected on a product basis and assigned to industries based on a concordance with the Canadian industry that produces that good. Imports are therefore assigned by producing industry and not consuming industry.

For the first time in 14 years Canada's high technology trade dipped in 2001...

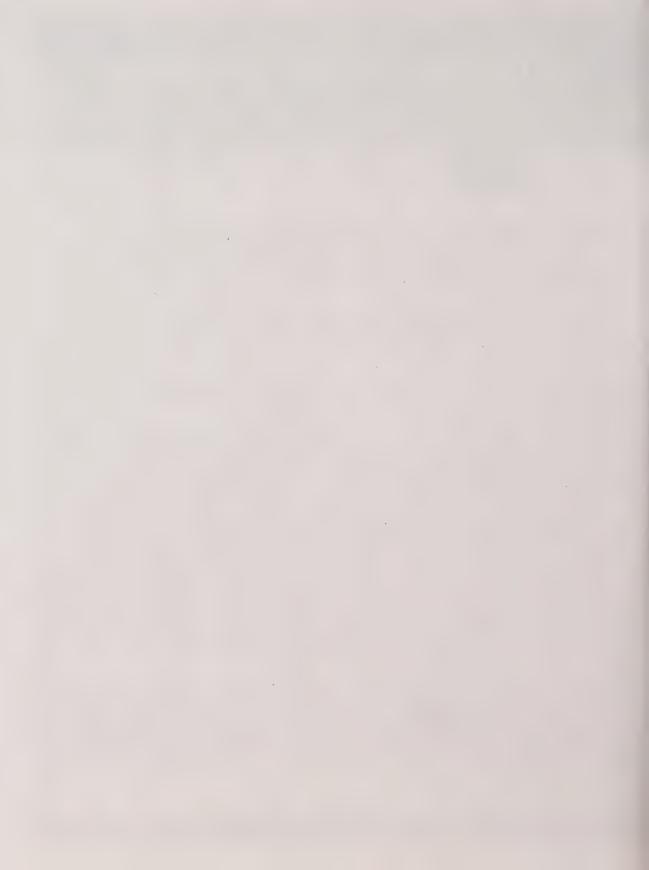
- After years of strong uninterrupted growth, Canada's high-tech trade suffered a significant drop between 2000 and 2001.
 - billion in 2001 from \$48.3 billion in 2000 while imports dropped by 11%, from \$63.8 billion to \$56.7 billion.
- Canada's trade deficit in hightech goods, however, increased only slightly from \$15.5 billion to \$15.9 billion.

Canada's Trade in Manufacturing High-Technology Goods



Source: Statistics Canada

This special report was prepared with a contribution from Can D. Le and Svetlozara Petrova of the Innovation Policy Branch, Industry Canada

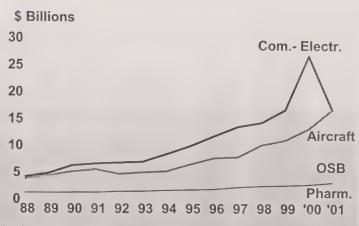


Monthly Frade Bittetin Anada's Trade in High-Tech Manufacturing

...largely because of a huge fall in Communications - Electronics exports...

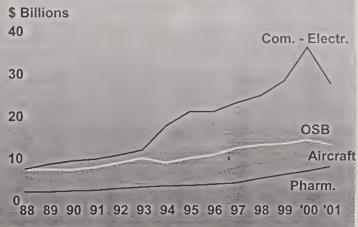
- Exports of Communications -Electronics goods fell from \$25.9 billion in 2000 to \$15.7 billion in 2001, a decline of 39%.
- Office, Store and Business Machines (OSB) industries suffered a drop of 16% while Aircraft and Parts and Pharmaceuticals actually registered significant increases of 30% and 23% respectively.
- Aircraft and Parts surpassed
 Communications-Electronics exports,
 accounting for 39.2% of Canada's
 high-tech manufacturing exports in
- ...asovell as imports
- Imports of Communications -Electronics fell from \$35.2 billion in 2000 to \$26.7 billion in 2001 or 24%.
- Similar to exports, imports of OSB also declined slightly, falling 8%, while imports of both Aircraft and Parts and Pharmaceutical industries increased moderately, gaining 16% and 18% respectively.
 - Canada continued to post a large surplus of more than \$5 billion in Aircraft & Parts in 2001.

Canadian High-Technology Exports, Distribution by Industry



Source: Statistics Canada

Canadian High-Technology Imports, Distribution by Industry



Source: Statistics Canada



Monthly Frade Bulletin

mada's Track in High-Tech Manufacturing

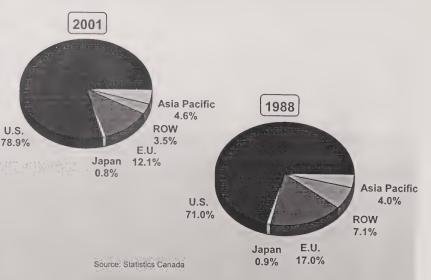
The U.S. is the dominant destination for Canadian high-tech exports...

- The U.S. remains the principal destination for Canadian high-tech exports with close to 79% in 2001.
- This is up from 71% in 1988.
- On the other hand, the E.U.'s share fell from 17% to 12% over the same period.

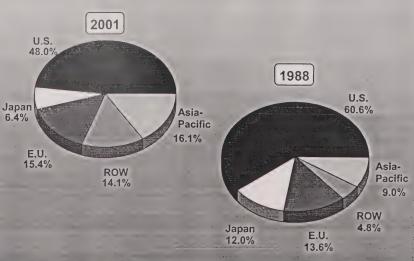
...but the U.S. share of Canadian hightech imports is declining

- The U.S. is Canada's most important source of hightech imports at 48% in 2001. This is down more than 12 percentage points since 1988.
- The shares of Asia-Pacific (excluding Japan) and the rest of the world (ROW) increased dramatically.

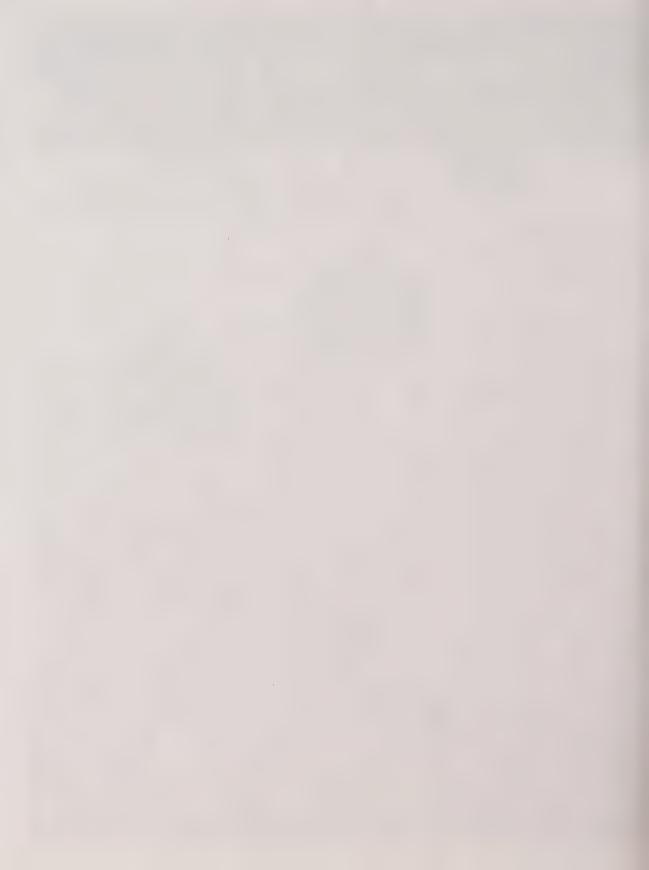
Distribution of Canadian Manufacturing High-Technology Exports by Country/Region



Distribution of Canadian Manufacturing High-Technology Imports by Country/Region



Source; Statistics Canada



Monthly Leade Solletin Canada's Irade to High-Tech Manufacturing

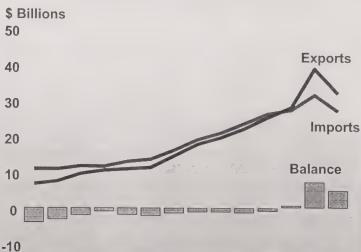
Despite a huge drop in exports, Canada registered a surplus in high-technology trade with the U.S.

- The \$7.0 billion decline in exports to the U.S. was responsible for 93% of the total fall in Canada's high-tech manufacturing exports.
- For the third year in a row, Canada recorded a surplus in high-technology trade with the U.S.
 - However, the surplus declined to \$5.0 billion in 2001 from \$7.4 billion in 2000.

The drop in communications-electronics exports was the main reason for the fall in high-tech exports...

- Canadian exports of Communications-Electronics to the U.S. fell \$9.1 billion, almost 42%, to reach \$12.8 billion in 2001.
- Meanwhile, both Aircraft and Pharmaceutical exports increased significantly, jumping 31% and 40% respectively.

Canadian-U.S. Trade in Manufacturing High-Technology Goods



10 88 89 90 91 92 93 94 95 96 97 98 99 '00 '01

Source: Statistics Canada

Canadian High-Technology Exports to the U.S., Distribution by Industry

\$ Billions



88 89 90 91 92 93 94 95 96 97 98 99 '00 '01

Source: Statistics Canada



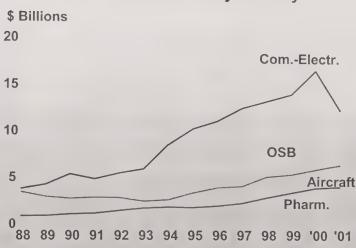
..as well as imports

- Canadian imports of Communications Electronics dropped \$4.3 billion between 2000 and 2001 accounting for much of the decline in Canada's high tech imports from the U.S.
 - ➤ Imports of Office, Store and Business Machines (OSB) also declined.
 - Aircraft and Pharmaceutical imports managed to show improvement.

High-tech imports and GDP growth are closely related

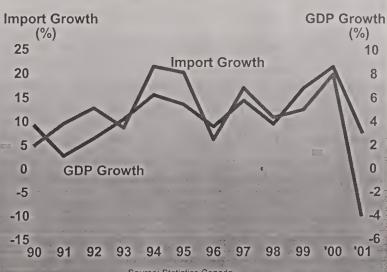
- High-tech imports are closely linked to the Canadian business cycle.
- For example, the Communications-Electronics industries include many luxury consumption and business investment goods such as televisions and telecommunications equipment.
- Demand for these goods is closely linked to the business cycle, as can bee seen in 2001, the import share of Communications Electronics fell along with growth in GDP.

Canadian High-Technology Imports from the U.S., Distribution by Industry



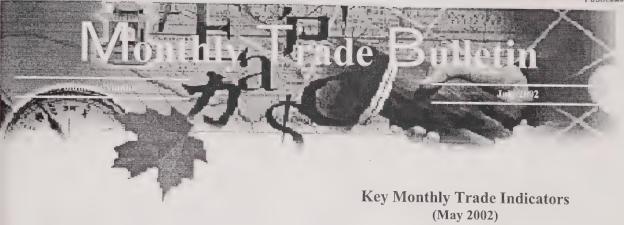
Source: Statistics Canada

Growth of High-Tech Imports and Total GDP



Source: Statistics Canada





Highlights

- Merchandise exports faltered in May while imports advanced, resulting in a narrowing of Canada's overall trade surplus with the world.
- Exports to the U.S. fell and imports grew, as the bilateral merchandise trade surplus shrank in April.
- The Canadian dollar appreciated over the month, up almost US1.7¢ in value. It was the first time the dollar went above US65¢ in ten months.

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	\$ millions	% change over	
		previous	•
		month	year
Exports	33,910	-1.9	-4.2
- Exports to U.S.	28,975	-1.6	-3.0
Imports	29,369	1.2	-1.5
- Imports from U.S.	21,189	1.7	-2.7
Trade Balance*	4,542	5,524	5,599
- Balance with U.S.*	7,786	8,612	8,081
Commodity Prices**	100.7	0.3	15.2
Canadian Dollar (US¢)*	65.4	63.8	65.0
Export Prices***	106.5	-1.2	-4.0
Import Prices***	106.1	-0.5	-1.2

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada - Brazil Commercial Linkages

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry Canada Industrie Canada



Canada's trade balance with Brazil has declined dramatically since 1995

- After a number of years of rapid growth following Brazil's "opening up" in 1991, Canadian exports to Brazil have fallen sharply since 1997 declining by almost 50% or \$778 million.
- On the other hand, imports from Brazil have continued to increase and now stand at \$1.53 billion.
- This has resulted in a reversal of Canada's trade balance with Brazil which turned from a \$373 million surplus in 1997 to a \$616 million deficit in 2001.

Moreover, Canada's trade linkages with Brazil remain weak

- Brazil accounts for just over 0.2% of Canada's exports, although this has fallen considerably since peaking at well over 0.5% in 1997.
- Brazil's share of Canadian imports, however, has remained relatively stable around 5%.
- At the start of the 1990s, Brazil was Canada's second most important trading partner in the Americas behind the U.S., but has since been surpassed by Mexico.

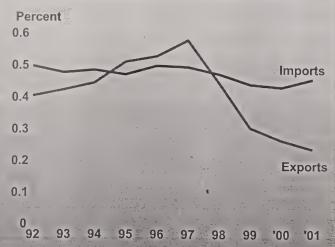
Canada's Merchandise Trade with Brazil \$ Billions

2



Source: Industry Canada compilations based on Statistics Canada data

Brazil's Share of Canadian Trade







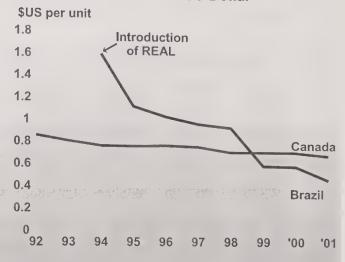
The rapid devaluation of the Real is an important contributor to Canada's poor performance in the Brazilian market...

- Between 1994 and 2001, the Brazilian Real lost two-thirds of its value, making Canadian exports to Brazil relatively more expensive and Brazilian products more competitive.
- Crisis in Asia and Russia in the late 1990s impacted negatively on the currencies of many developing countries, and Brazil in particular, with its heavy dependence on commodity exports.
- Subsequent crisis in Argentina has put additional downward pressure on the Real.

...as well as the poor economic performance in Brazil

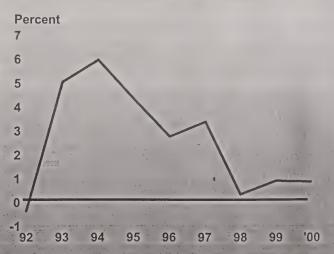
• The Brazilian economy has posted stagnant growth over the past three years, partially due to the exchange rate crisis.

Canada and Brazil Exchange Rates vis-a-vis the US Dollar



Source: Industry Canada compilations based on Statistics Canada data

Brazil's Real GDP Growth



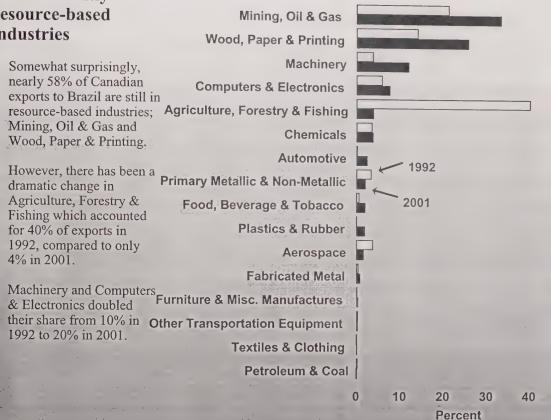




Canadian exports to Brazil are predominantly resource-based industries

- Somewhat surprisingly, nearly 58% of Canadian exports to Brazil are still in resource-based industries; Mining, Oil & Gas and Wood, Paper & Printing.
- However, there has been a dramatic change in Agriculture, Forestry & Fishing which accounted for 40% of exports in 1992, compared to only 4% in 2001.
- 1992 to 20% in 2001.

Canadian Exports to Brazil by Industry



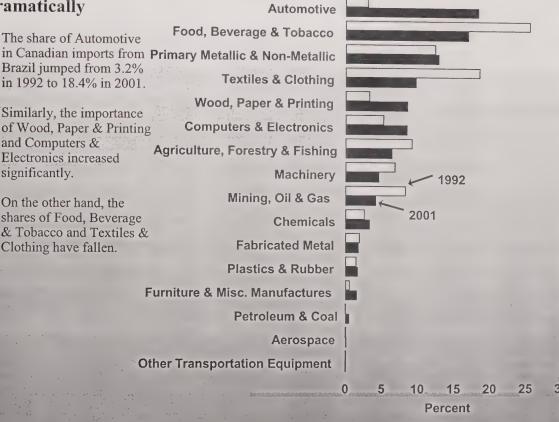




Automotive imports from Brazil have increased dramatically

- The share of Automotive Brazil jumped from 3.2% in 1992 to 18.4% in 2001.
- Similarly, the importance of Wood, Paper & Printing and Computers & Electronics increased significantly.
- On the other hand, the shares of Food, Beverage & Tobacco and Textiles & Clothing have fallen.

Canadian Imports from Brazil by Industry





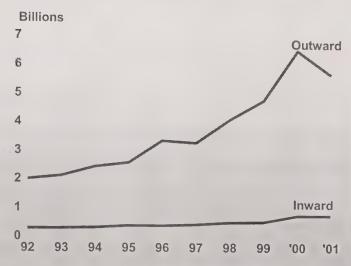
Canadian investment in Brazil increased steadily over the 1990s before dipping in 2001

- Canada's direct investment in Brazil increased three-fold between 1992 and 2000, from \$1.9 billion to \$5.6 billion.
 - ➤ However, Canadian investment in Brazil fell off somewhat, falling from \$6.4 billion in 2000 to \$5.6 billion in 2001.
- Brazilian direct investment in Canada also increased three-fold, from \$200 million in 1992 to \$600 million in 2001, but remains small.

However, Brazil's share of Canadian outward investment in the region has declined significantly.

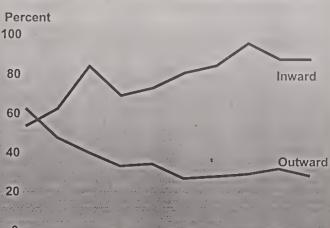
- Brazil's share of Canadian direct investment bound for South and Central America declined from 60% in 1992 to 26% in 2001.
 - ➤ The increase in share of Argentina and Chile mirrored the decline by Brazil.
- Over the same period, Brazil's share of investment from the region into Canada climbed from 52% in 1992 to 86% in 2001.
 - This is partially a reflection of the very small amount of FDI in Canada from South and Central America.

Canada's Foreign Direct Investment with Brazil



Source: Industry Canada compilations based on Statistics Canada data

Brazil's Share of Canadian Direct Investment in South and Central America





August 200

% change over

Key Monthly Trade Indicators (June 2002)

Highlights

- Merchandise exports fell while imports increased in June. As a result Canada's overall trade surplus with the world narrowed.
- Likewise, exports to the U.S. fell, imports grew, and the bilateral merchandise trade surplus shrank in June.
- The Canadian dollar further appreciated over the month, up US0.5¢ in value. It was the fourth monthly rise in the Canada-US exchange rate.

0.007.08	\$	70 change over	
and the state of t	millions	previous month	previous year
Exports	33,644	-0.5	-2.9
- Exports to U.S.	28,358	-1.8	-3.9
Imports	29,841	2.1	0.1
- Imports from U.S.	21,196	0.4	-3.8
Trade Balance*	3,803	4,578	4,849
- Balance with U.S.*	7,162	7,749	7,471
Commodity Prices**	98.7	-2.2	-12.3
Canadian Dollar (US¢)*	66.0	65.4	66.1
Export Prices***	106.5	-0.2	-2.3
Import Prices***	104.5	-1.5	-1.0

- * Data in levels only
- ** Index (1982-90 = 100)
- *** Index (1982-90 = 100)

Source: DFAIT compilations based on Statistics Canada data

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Department of Foreign Affairs and International Trade

Mnistère des Affaires étrangères et du Commerce international



Industry Canada Industrie



Trade balances fall for the second month

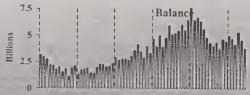
- The overall trade surplus narrowed by just over three-quarters of a billion dollars to \$3.8 billion in June.
 - The monthly surplus with the U.S. fell \$587 million to just under \$7.2 billion in June.
- · Monthly trade balances with all other major trading partners remain in deficit. Our deficit with Japan narrowed \$4 million to \$209 million in June, while the deficit with the EU widened \$229 million to \$1.5 billion.

But the value of the Canadian dollar rises again

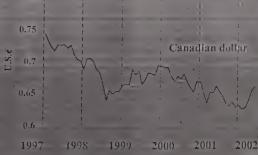
- The Canadian dollar recouped a further US0.5¢ over June, to US66.0¢, the fourth consecutive monthly increase. The dollar was virtually at par with its June closing level one year ago.
- · Export, import, and commodity prices fell across the board in June.

Merchandise Trade











Key Monthly Trade Indicators (July 2002)

Highlights

- Merchandise exports rose faster than imports in July, resulting in a widening of Canada's overall trade surplus with the world.
- Similarly, exports to the U.S. were up more than imports; the bilateral merchandise trade surplus thus also expanded in July.
- The Canadian dollar closed out the month down US2.8¢ in value. It was the largest end-of-month to end-ofmonth drop in the Canada-US exchange rate since at least 1996.

	S	% change over	
	millions	previous month	previous year
Exports	34,890	3.4	2.5
- Exports to U.S.	29,676	4.2	2.9
Imports	30,032	0.2	1.2
- Imports from U.S.	21,508	1.6	-1.2
Trade Balance*	4,858	3,761	4,343
- Balance with U.S.*	8,169	7,313	7,084
Commodity Prices**	101.1	2.4	-3.2
Canadian Dollar (US¢)*	63.2	66.0	65.3
Export Prices***	105.0	-0.8	-1.7
Import Prices***	105.6	1.1	0.6

- Data in levels only.
- ** Index (1982-90 = 100) *** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data

This Month's Feature Report: Canada's Export Opportunities

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao. ISSN 1496-192X



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Industry Industrie Canada Canada



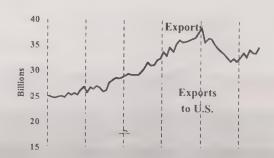
Trade balances improve ...

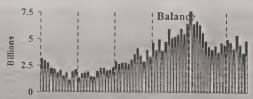
- The overall trade surplus shot up nearly \$1.1 billion to \$4.9 billion in July.
 - The monthly surplus with the U.S. increased \$855 million to just under \$8.2 billion in July.
- Monthly trade balances with all other major trading partners improved over the month, however they remain in deficit. Our deficit with Japan narrowed \$62 million to \$140 million in July, while the deficit with the E.U. narrowed \$293 million to \$1.3 billion.

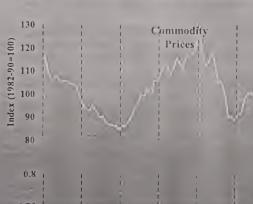
... riding the tailcoats of a lower Canadian dollar

- The Canadian dollar lost US2.8¢ over July, falling to US63.2¢, after four consecutive monthly increases.
- The terms of trade worsened in July as export prices fell while import prices increased. Commodity prices were also up in July.

Merchandise Trade









Source Statistics Canada, Berk of Canad



September 2002

World's 10 Largest Importing Industries
Share of Total World Imports

High-tech industries now account for a larger share of world trade

- The 10 largest importing industries account for almost half of the world's total imports at 46.6%.
 - This is up from 43.5% in 1985.
- Petroleum and Road Vehicles continue to remain the largest importing industries, although the share of Petroleum has declined considerably from 13.6% of world imports in 1985 to 8.8% in 2000.
 - The shares and rankings of all of the high-tech industries such as Office Machines, Scientific Equipment and Telecommunications
 Equipment increased considerably since 1985.

Eight of the ten fastest growing import industries are high-tech

- Eight of the ten fastest growing industries between 1985 and 2000 are considered hightech, in that they fall under the broad definitions of electronics, machinery and pharmaceuticals.
- Furniture and Essential Oils & Perfume are the Medicinal & Pharm. Products other two industries, the latter growing from a Very small base.

Note:

All information contained in this special report was obtained from the World Trade Analyzer database. All data presented are in U.S. dollars. Industries are based on the SITC commodity classification code.



0 5 10 15 20 Percent



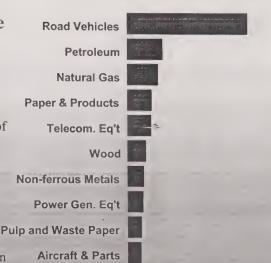
Septembre 2002

Canada's Export Opportunities

Road Vehicles continue to dominate Canada's exports

- The 10 largest industries account for 54.9% of Canada's total exports.
 - This is down considerably from the 63.9% of Canada's total exports that the top 10 industries accounted for in 1985. However, the composition of these industries has not changed significantly and is still highly dependant on resource-based industries.
- Road vehicles alone accounts for more than a fifth of Canada's exports, although this is down from a quarter of the total in 1985.

Canada's 10 Largest Exporting Industries Share of Total Canadian Exports



Canada's 10 Fastest Growing Exporting Industries

Average Annual Growth, 1985-2000

10

Percent

20

Similar to global trends, Canada's Essential Oils & Perfume export growth is dominated by high-**Electrical Machinery** tech industries Furniture | • Four of Canada's ten fastest growing industries Plastics fall in the high-tech classification. Machinery - Pumps Plastics, which is a main component of the Ships chemicals industry is considered a highly Colouring Materials knowledge intensive industry. Electricity Dist. Eq't · Similar to the global trend, Essential Oils & Perfume has grown from a very small base, and Household Electronics the same is also true for Ships. Telecom. Eq't



anadas Evport Opportunities

The U.S. is by far the world's largest import market

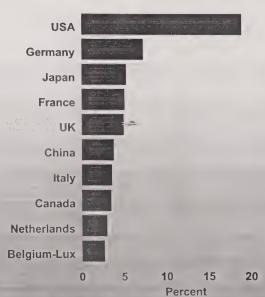
- The U.S. alone accounts for almost one-fifth of global imports.
- Other G-7 countries, including Canada, account for another 30% of world imports
- The Netherlands and Belgium account for a far greater share of imports than their economic size, reflecting their openness to trade.
- China has emerged as a major trading nation, more than doubling its share of world imports, from 1.6% in 1990 to 3.8% in 2000.

South-East Asia dominates the list of fastest growing import markets

- Seven of the fastest growing import markets are located in South-East Asia.
- Mexico ranks as the second fastest growing import market, with an average annual growth rate of 16.6% over the past 15 years.
- Two South American countries, Chile and Argentina, also rank among the top ten.

World's 10 Largest Import Markets Share of Total World Imports

September 2002



World's 10 Fastest Growing Import Markets*
Average Annual Growth, 1985-2000





Canada's Export Opportunities

More than 85% of Canada's exports go to the U.S.

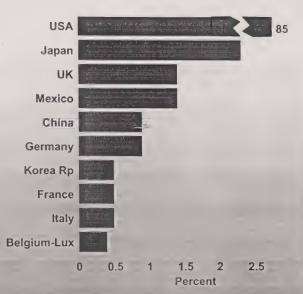
- The vast majority of Canada's exports go to the U.S.
- Japan, the second largest market for our exports accounts for just over 2% of our total exports.
- The share of Canadian exports going to Mexico has increased dramatically over the past fifteen years and now stands at 1.4%. Mexico is likely to surpass the U.K. as Canada's third most important export market in the next few years.
- The share of exports going to China has also increased rapidly in recent years.

Canada's fastest growing export markets are small and spread throughout the world

- Most of Canada's fastest growing export markets are growing from extremely small bases.
 - ➤ Larger countries, such as the U.S., often focus on large markets for their exports. A smaller country, such as Canada, may be able to tap a collection of smaller, overlooked markets.
- Four of Canada's ten fastest growing export markets are located in South/Central America.
- Other fast growing markets can be found in Asia-Pacific (Philippines), Middle East (UEA, Iran) and Eastern Europe (Poland).

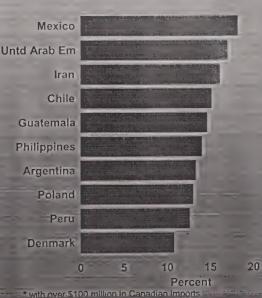
Canada's 10 Largest Import Markets Share of Total Canadian Exports

2002



Canada's 10 Fastest Growing Export Markets*

Average Annual Growth, 1985-2000





September 2002

anada's Export Opportunities

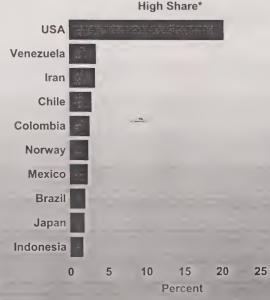
Canada's Share of Total World Imports by Country*

Canada also has an unusually high share of U.S. imports

- Canada accounts for more than 20% of U.S. imports. Our second highest market share is in Venezuela where Canada accounts for 3.6% of imports.
 - This likely reflects the high degree of integration between Canada and the U.S.
- Canada's share of import markets differs substantially from our distribution of exports as it takes into account the relative economic size of our trading partners.
 - Therefore, while our exports are dominated by G-7 countries, weighted by economic size, we find that Canada has strong ties to a number of countries in South/Central America such as Venezuela, Chile, Colombia, and Brazil.

Canada has a low export share in a number of Eastern-European countries

- Seven of Canada's ten lowest import shares are in Eastern European countries.
 - This likely reflects the close proximity of, and strong linkages to, other major trading nations such as the E.U.







Percent

with over \$10 billion in total imports



September 2002

Canada's Export Opportunities

Canada has not seen its import share increase significantly in very many countries...

- Canada's share of Iran's total imports increased three percentage points between 1985 and 2000, by far the largest increase for any country.
- With the rest of the world, there has not been any substantial increase in import share.
 - In Norway, where Canada saw its import share increase the second fastest, the increase was only seven-tenths of a percentage point.

Growth in Canada's Share of Total World Imports by Country* 1985-2000 Increase



Norway

Chile

Mexico

Denmark

Saudi Arabia

Untd Arab Em

Austria

Poland

Belgium-Lux

0.5 1 1.5 2 2.5

Percentage Points

...on the other hand, our import share has declined in a large number of countries

- While Canada's share of total imports has increased in only 46 countries, between 1985 and 2000our import share declined in 112 countries!
- Not only do the number of declines outnumber the number of advances, the size of the declines has also been significantly larger than the size of the advances
- Canada is also loosing share in some of the most populous markets in the world, such as China, India and Brazil.

Decrease

Morocco Brazil

Japan

Colombia

Pakistan

India

New Zealand

Korea Rp

Taiwan

China

0.5

-1 -0.5

Percentage Points

P. with over \$10 billion in total imports...







